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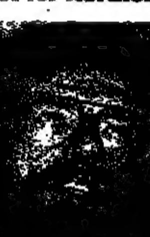
World Business Newspaper THURSDAY APRIL 25 1996

Britain submits plan for cattle cull to Brussels

Britain's dispute with the rest of the European Union over beef exports appeared closer to resolution yesterday when London sent Brussels its long-awaited proposals for a selective slaughter of cattle to curb mad cow disease. The move marked the first sign of a breakthrough in the five-week old crisis sparked when the UK government disclosed a possible link between BSE and a fatal brain disease in humans. London is proposing to cull about 42,000 cattle believed to be most at risk from BSE. Page 10

Boost for Northern Ireland peace process: Northern Ireland's moderate nationalist SDLP party and Sinn Féin, political wing of the anti-British IRA, agreed to contest elections in the province next month. The poll should result in a forum from which all-party peace talks can be launched. Sinn Féin president Gerry Adams (left) said his party was participating to seek backing for its peace strategy but would not take part in the forum. Page 10



PLO votes to change anti-Israel charter: The Palestinian parliament-in-exile voted by a big majority to amend clauses in the charter of the Palestine Liberation Organisation which call for Israel's destruction. Israel has made the amendments a condition for moving its troops from part of the West Bank town of Hebron and for starting talks on the final status of Palestinian areas. US peace shuttle switches to Lebanon, Page 7

Nomura profits surge: Buoyant bonds helped Japan's Nomura, biggest of the country's "big four" stockbrokers, to a thirteen-fold rise in annual pre-tax profits to Y91.5bn ($855m) – the best result from a Japanese house for five years. Page 19

Cult leader in court: Japanese cult leader Shoko Asahara refused to plead on the opening day of his murder trial for the Tokyo subway nerve gas attack of March 1995. Page 4

UN orders release: The UN tribunal for Yugoslavia in The Hague ordered the immediate provisional release on humanitarian grounds of Bosnian Serb general Djordje Djukic, who has cancer, but the war crimes charges against him will be maintained. Nato bans Bosnian army flights, Page 3

Yeast yields genome secrets: Scientists have completed a seven year project to "map" yeast's genetic material. The knowledge should help research into human disorders, speed drug design as well as benefiting brewers and bread makers. Technology, Page 28

Seoul to ease labour laws: South Korea is to revise its restrictive labour laws to get in to the Organisation for Economic Co-operation and Development, president Kim Young-sam indicated. At present there can be no more than one union in a company, third parties are barred from intervention in disputes and unions cannot give money to political parties. Page 18

UK oil bonanza rolls on: Britain's North Sea oil and gas bonanza could last until the mid 21st century, a minister said, confounding fears that the industry would decline in the 1990s. Oil production last year reached a high of 130m tonnes. Page 10

SmithKline Beecham Biologicals, an arm of Anglo-US healthcare group SmithKline Beecham, is to build a vaccine plant in Changhai as the start of a $100m investment plan for China.

Major condemns Eurosceptics: Britons who favour withdrawal from the European Union are living in "cloud cuckoo land", UK prime minister John Major said. His remarks were partly aimed at *billionaire Sir James Goldsmith, who is financing a* new party to campaign for a referendum on the UK's relationship with the EU. Page 10

FedEx chief attacks UK air policy: Federal Express chief Frederick Smith, accused Britain of running a restrictive aviation policy. The world-leading parcels group is to expand its main European distribution centre in Paris. Page 19

Chechen leader confirmed dead: Chechen rebel commander Shamil Basayev confirmed that separatist leader Dzhokhar Dudayev had been killed. He said Dudayev's deputy, Zelimkhan Yandarbiyev, had taken over as rebel leader. Page 2

Cambodia offers haven: *Cambodian first prime* minister Prince Norodom Ranariddh offered well-educated Hong Kong residents citizenship so they can help rebuild the war-ravaged country.

■ STOCK MARKET INDICES		
New York: lunchtime		
Dow Jones Ind Av	5,539.45	(-49.14)
NASDAQ Composite	1,173.15	(+6.39)
Europe and Far East		
CAC40	2,122.10	(+10.12)
DAX	2,538.26	(-11.92)
FT-SE 100	3,817.6	(-15.4)
Nikkei	22,282.65	(+162.17)

■ US LUNCHTIME RATES	
Federal Funds	5¼%
3-mth Treas Bills: Yld	5.103%
Long Bond	90⅛
Yield	6.769%

■ OTHER RATES		
UK: 3-mo Interbank	6%	(same)
UK: 10 yr Gilt	96⅝	(96⅞)
France: 10 yr OAT	106.05	(106.09)
Germany: 10 yr Bond	97.73	(97.56)
Japan: 10 yr JGB	97.84	(97.814)

■ NORTH SEA OIL (Argus)		
Brent Dated	$20.395	(20.90)

■ GOLD		
New York: Comex		
(June)	$397.2	(393.4)
London:		
close	$391.0	(391.7)

■ DOLLAR		
New York: lunchtime		
£	1.51395	
DM	1.52225	
FFr	5.1395	
SFr	1.23225	
Y	106.755	
London:		
£	1.5128	(1.5144)
DM	1.5219	(1.518)
FFr	5.1398	(5.1353)
SFr	1.2333	(1.2277)
Y	106.785	(106.455)

■ STERLING		
DM	2.3023	(2.2987)
Tokyo $ close:	Y 106.7	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lt 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.85	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Bulgaria	Lev130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils650	Portugal (m'land)		Turkey	L80,000
France	FFr11.50	Lebanon	L£3,000		Es240	UAE	Dh12.00

Unions vow to launch campaign against reform plans after talks fail

Setback on German work unity

By Peter Norman in Bonn and Wolfgang Münchau in Cologne

Workplace consensus 'failure' Page 3
Editorial Comment .... Page 17

German unions yesterday vowed to launch a public campaign against government welfare and employment reforms after the collapse of talks aimed at building a consensus among employers, the unions and the government.

The breakdown of the tripartite talks coincided with a declaration from the head of the country's main employers' body that the traditional consensus model of industrial relations had failed.

Mr Dieter Schulte, head of the German trade union federation (DGB), accused chancellor Helmut Kohl's government of falling under the influence of big business and turning its back on the welfare state after Bonn announced it would legislate to curb Germany's generous sick pay and ease rules giving workers protection against dismissal.

The DGB leader said the meeting in the chancellery was frosty and marked "a shift away from the search for consensus towards conflict". He said Mr Kohl, who called the Tuesday night talks to reach agreement on a range of policies to strengthen Germany's economy and boost employment, showed no awareness of social injustice and in this respect appeared "no longer in control of *his actions*".

The moves came amid growing fears over Germany's economic malaise, with a report yesterday showing that company failures in January were 13 per cent up on the year before. In addition, the Ifo economic research institute in Munich announced its monthly business climate indicator moved down again in March.

After Tuesday's meeting Mr Schulte, usually a moderate trade unionist, said he felt "hurt and angry". While stopping short of threatening strike action, he *promised* that the unions would take action and mobilise support against government plans, due to be announced tomorrow.

A joint statement by five union leaders who attended Tuesday's talks accused the government of contributing to an "alliance against jobs" rather than the alliance for jobs – the union-proposed trade-off between pay restraint and job creation that has been at the centre of government and union efforts to cut Germany's unemployment of more than 4m since late last year.

The statement rejected legislation to restrict sick pay and said plans to ease the rules restricting dismissals "meant Germany's *entry into the US system of hire* and fire". Planned changes to pensions, including a rise in the pensionable age for women, would "boost unemployment and be poison for public budgets".

Mr Kohl yesterday continued internal government discussions on the package of spending cuts, welfare changes, tax reforms and deregulation in preparation for their disclosure to MPs of the coalition parties late today.

In an interview before the talks, Mr Hans-Olaf Henkel, president of the Federation of German Industry, said the German trade union movement was facing terminal decline, and suggested that Germany would move increasingly towards an *Anglo-Saxon style* emphasis on individual self-reliance.

Russian leader Boris Yeltsin (centre) and China's president Jiang Zemin (far left) in Tiananmen Square, Beijing, reviewing the honour guard welcoming Mr Yeltsin at the start of a three-day visit to China during which more than a dozen trade and other agreements will be initialled. Report, Page 4 Picture: Reuter

UK in surprise block on power industry bids

By David Wighton, Patrick Harverson and Robert Peston in London

The UK government surprised London's business district and threw the electricity industry into renewed turmoil yesterday by blocking bids by National Power and PowerGen for two of the UK's largest electricity distributors.

The decision, which overturns the recommendation of the UK Monopolies and Mergers Commission, opens the possibility that National Power and both distributors, Southern Electric and Midlands Electricity, will be the subject of bids by foreign companies.

However, the government issued a veiled threat to Southern Company, the US utility which has expressed an interest in bidding for National Power.

A colleague of Mr Ian Lang, UK trade and industry secretary, pointed out that the government retained golden shares in both National Power and PowerGen which prohibited any other company from holding more than 15 per cent of their shares.

He said there was "no possibility" of the government simply waiving this restriction if Southern or another company made a bid.

Investors had expected the bids for the distributors to be cleared. The mergers would have created two vertically integrated groups, bringing together electricity generation with distribution which were kept separate at the time of privatisation.

Mr Lang *said* he believed that vertical integration was not inherently objectionable: "However, the adverse findings in the MMC's reports lead me to the view that, in the current state of the market, there would be significant detriments to competition if these mergers proceed."

Professor Stephen Littlechild, industry regulator, welcomed Mr Lang's move which he said was "a good decision for the country". He added: "The striking thing about the MMC report was that they could not find any benefits from the mergers."

The Labour party opposition also supported the blocking of

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Lex, Page 18; Lang makes his mark, Page 27

Brussels vetoes platinum merger in S Africa

By Neil Buckley in Brussels, Mark Ashurst in Johannesburg and David Lascelles in London

The European Commission yesterday vetoed the proposed merger of the South African platinum interests of Lonrho of the UK and South Africa's Gencor on the grounds that it would have left the world's platinum market in the grip of a duopoly.

It also issued a clear warning that any attempt by Anglo American, South Africa's largest company which also has extensive platinum interests, to take control of Lonrho was likely to be blocked for *similar reasons*. Anglo American took a 6 per cent stake in Lonrho last month.

The decision, announced by Mr Karel Van Miert, European competition commissioner, is only the Commission's fifth veto of a merger since it was given responsibility for vetting large mergers involving European Union companies in 1990. It is the first time the Commission has blocked a merger of companies' interests located entirely outside the EU.

Impala Platinum Holdings, Gencor's platinum company, pledged to challenge the decision in the European Court of Justice.

Mr Van Miert said if the merger had been allowed, it would have left the new company and Anglo American's platinum business, Amplats, with control of more than 80 per cent of the world platinum market and 90 per cent of world reserves.

He said the platinum market's concentrated nature would have made it difficult to restructure the deal to meet the Commission's competition concerns. Gencor had offered "behavioural remedies", including pledges not to cut production and to invest in new capacity, but these were ruled insufficient.

Mr Dieter Bock, Lonrho's chief executive, said he was "puzzled" that the Commission had prevented a transaction "to which European consumers had very little exposure".

Lonrho is unlikely to appeal against the decision and it has

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Hollinger in $420m agreed offer for Telegraph shares

By Christopher Price in London

Hollinger International, the US group controlled by Mr Conrad Black, yesterday made a $420m agreed offer for the minority shareholding in The Telegraph, the UK newspaper publisher.

The Canadian entrepreneur has been keen to restructure his media empire in readiness for a possible bid for Fairfax, the Australian media group, among other potential interests.

The Telegraph owns a 25 per cent stake in Fairfax, the maximum allowed under current Australian legislation governing media ownership. However, an inquiry into the issue has been launched by the Australian government which should report by the end of the year.

Mr Kerry Packer, the Australian entrepreneur, and Mr Rupert Murdoch, News Corporation chairman, both have stakes in Fairfax, with the former in particular also keen to gain control of the publisher of the Sydney Morning Herald, Melbourne Age and Australian Financial Review. Hollinger said it would consider selling its stake if the review were not to go in its favour.

The Telegraph shareholders are also to be offered a pro rata share of proceeds from any sale of the Fairfax holding made at over A$3 a share. Fairfax shares are currently trading at A$2.90.

Mr Dan Colson, deputy chairman of The Telegraph and a *director of Hollinger, said* Hollinger International, formerly known as American Publishing, would consider raising $150m in equity financing to help pay for The Telegraph deal. Earlier this year, the group raised $400m in new equity and debt.

The Telegraph offer is Mr Black's second attempt within a year to buy the group. An attempt 10 months ago failed when the independent directors representing the minority shareholders *rejected his offer*, thought to be around 470p-a-share, as too low. The new 560p-a-share offer, which is being recommended by the independent directors, comes with a special dividend of 10p a share. In London, The Telegraph shares rose 96p to 559p. Hollinger International shares were trading at $12.25 on Wall Street, down one-eighth.

The offer values The Telegraph at £763m.

Mr Colson said the difference between the two offers for The Telegraph reflected the swiftly changing fortunes of the UK newspaper industry.

"Last year, we were in the middle of a full-scale price war and escalating newsprint costs. Today's environment, while still difficult, has improved markedly."

Should Telegraph shareholders accept, the sale will sever Mr Black's links with the UK stock market. He first bought into the newspaper group in 1985, taking the company public in June 1992, but retaining a majority control.

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Scoop of the year, Page 27

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NEWS: EUROPE

Russian military denies reports that Dzhokhar Dudayev was killed in rocket attack and blames local feuding

Chechen leader's death threatens renewed instability

A metaphor for the collapse of the Soviet Union: the late Dzhokhar Dudayev at a press conference in the Chechen capital, Grozny, last year AP

By John Thornhill in Moscow

Mr Dzhokhar Dudayev, the rebel Chechen leader, has been killed, Chechen and Russian sources independently confirmed yesterday. His death threatens to provoke a fresh wave of instability in the troubled Caucasian region.

Although reports are still confused, several Chechen officials said Mr Dudayev had died in a Russian rocket attack on Sunday night while talking on a satellite telephone in a field near the village of Gekhi-Chu.

He was buried yesterday in a southern Chechen cemetery.

The Russian military commander in Chechnya denied any involvement in the attack, suggesting Mr Dudayev had fallen victim to internal Chechen feuding. "Federal forces had nothing to do with the death of Dzhokhar Dudayev," General Vyacheslav Tikhomirov said.

But a Russian interior ministry official contradicted this line, claiming Mr Dudayev had been killed in an "act of retribution".

The slight, moustachioed Mr Dudayev, a former Soviet air force general, declared Chechnya's independence from Russia in 1991 and led the spirited resistance movement which continues to defy the Kremlin.

Chechen officials said his death would unite their people and spur them into resisting Moscow with "trebled energy".

"The tragic death of the first president of Chechnya has not broken the Chechen people, who are prepared to continue the struggle, started by Dzhokhar Dudayev, for their independence," said Mr Zelimkhan Yandarbiyev, who has taken over as Chechen leader.

Russian President Boris Yeltsin, whose chances of re-election have been blighted by the Chechen conflict which has left more than 30,000 dead, blamed Mr Dudayev for starting the war and spurning the Kremlin's latest peace overtures.

"With or without Dudayev we shall end everything in peace in Chechnya," Mr Yeltsin said yesterday in the far eastern town of Khabarovsk, before leaving for China.

But Mr Mintimer Shaimiev, the president of the central Russian republic of Tatarstan, who is trying to mediate in the conflict, cast doubt on the prospects for peace and forecast a further deterioration of the situation.

"Now it is unclear how his [Dudayev's] cohorts will behave in this situation, whether they will remain as united and obsessed by their common goal as they were under Dudayev or whether their ranks will be split and their ideas will be polarised," he said.

Mr Yandarbiyev, the nationalist writer who has taken over as Chechen leader, has adopted a hardline position towards Moscow in the past but wields far less authority within the resistance movement than Mr Dudayev.

It seems likely that more authority will devolve to prominent field commanders, such as Mr Shamil Basayev, the radical Chechen leader who led the hostage-taking raid on Budennovsk last year, and Mr Aslan Maskhadov, the seemingly more moderate Chechen military commander who conducted peace talks last summer.

The United Nations Commission on Human Rights yesterday condemned the Russian authorities for the disproportionate use of force in Chechnya, resulting in high number of civilian casualties.

Recent bombardments of Chechen villages had led to "grave violations of human rights as well as of international humanitarian law," the UN said.

Dudayev – local hero or mere mafioso?

By Chrystia Freeland in Moscow

In his transformation from bemedalled Soviet air force general to a rebel commander who humiliated the Red Army, Mr Dzhokhar Dudayev was a human metaphor for the collapse of the Soviet Union.

In the early 1990s he joined many of the more liberal members of the Soviet elite in breaking with the Soviet old guard and supporting the national independence movements which sprang up across the crumbling empire.

And, as the leader of Chechnya's drive for independence, Mr Dudayev became the central figure in a bloody war which many observers believe has fatally weakened Russia's fragile democracy.

In the eyes of many of his people Mr Dudayev, who held the Russian army at bay for 16 months, was a hero, elevated into martyrdom by his reported death this week in a Russian rocket attack. In the view of the Kremlin's embarrassed leaders, and some of his domestic opponents, he was the criminal leader of one of Russia's most powerful mafias who irresponsibly led his country into a suicidal defiance of Moscow.

Both friends and foes acknowledge Mr Dudayev's crucial role in a conflict which Mr Yeltsin has described as the biggest mistake of his administration and which could sabotage the Russian leader's effort to beat his Communist rival in the June presidential ballot.

Analysts are divided on the implications of Mr Dudayev's death: some warn that it could spark a fresh outburst of violence as Chechen fighters avenge their leader's death, while others predict that without its charismatic president the Chechen resistance will crumble. But they agree that the killing is likely to be a turning point in the Chechen conflict.

Mr Dudayev's fierce resistance to Russia has deep roots. In February 1944, when he was just a month old, his family, together with the entire Chechen people, were deported overnight from their homeland to the arid steppes of central Asia.

The intense animosity towards Moscow bred by that experience, and by his people's history of resistance to Russian rule, was initially obscured by Mr Dudayev's stellar rise through the ranks of the Soviet military. But his latent sympathy for the peoples who had been oppressed by the Tsarist and Soviet regimes became apparent in the late 1980s, when he was appointed as the commander of an air force base in Estonia.

A slim, energetic man with a dandy's moustache, who always appeared neatly dressed even on the battlefield, Mr Dudayev is still beloved by many Estonians because of his support in those years for the Baltic state's effort to break away from the USSR. He disobeyed Moscow's orders to deploy his men against peaceful Estonian demonstrators.

In January 1991, Mr Dudayev returned to Chechnya, where he was elected president in October and declared independence. He resisted Moscow's initial effort in November 1991 to bring the republic back under Russian control, but three years later the Kremlin tried again, launching a bloody conflict which has reduced much of Chechnya to rubble but is still unresolved.

As Chechens were reported to be burying Mr Dudayev yesterday, the big question was whether they would be determined to carry on the struggle he began under the new leadership of his former deputy, Mr Zelimkhan Yandarbiyev, a former writer and hardline supporter of full independence.

Flynn defends European Court

By Caroline Southey in Brussels

The European Court of Justice should not be used as a "political football", Mr Padraig Flynn, the EU commissioner for social policy, will warn today, in an implicit attack on the British government's attitude to the institution.

In a speech to the American Bar Association in London, Mr Flynn says it is "incredible" that politicians from a legal tradition in which judicial precedent has played a crucial role "should suddenly find it shocking that, in a European context, it is the Court of Justice which is the final arbiter of legal interpretation".

His comments come in face of growing support for Euro-sceptics in the British parliament opposed to the UK being under the jurisdiction of the court. On Tuesday, 66 Conservative MPs voted in defiance of government policy for a measure to exempt the UK from the court's rulings.

British sensitivities about the court's role were heightened this month when the French advocate general of the court recommended that the UK's arguments challenging the legality of the Working Time Directive, which sets down a maximum 48-hour working week, should be rejected. His opinion is not binding, but is followed by the court in the majority of cases.

Mr Flynn warns that to introduce "any qualification of the principle that it is the courts who interpret and apply the law in situations of legal slippage is to start down a very slippery slope".

He argues that any dilution of this principle would be "dangerous and would take us down a road which, in the past, has led to the diminution and, in extreme cases, to the suppression of democracy".

'A road which has led to suppression of democracy'

Dismissing the UK's contention that the Commission was motivated by political rather than legal factors when it chose to bring the directive forward as a health and safety issue, he says: "Disputes about the legal basis of directives are commonplace. They are the normal stock in trade of council discussions".

The UK argued that the directive was a piece of social legislation, which requires a unanimous vote in the Council of Ministers, rather than health and safety legislation, which can be agreed by qualified majority.

It contended that the Commission had chosen to bring the legislation forward as a health and safety issue to avoid having to secure a unanimous vote in the council.

The advocate general's opinion could, in fact, prompt a raft of new social legislation being presented on the basis of health and safety requirements. He argues that health and safety should be given a broad interpretation "far removed from an approach confined to the protection of workers against the influence of physical or chemical factors alone".

Hopes for five-star hotel in Kiev

By Matthew Kaminski in Kiev

Three British developers are poised to do what others have so far found impossible: open the first five-star hotel in Kiev.

Central European Investments, a private UK company, last year formed a joint venture with the left-dominated parliament and within two weeks plans to name a western operator to refurbish and run the Moscow Hotel.

Construction will start this year and doors will open before 1999, according to Mr David Brown, CEI director.

Every other large hotel and office property deal to date has failed in Kiev, while western guest houses mushroom in Moscow, Almaty and other new capitals in the former Soviet Union.

Mr Leonid Kosakivsky, the mayor, has scuttled several multi-million-dollar projects, frustrating investors and developers. The city owns the old Intourist hotels, which, blessed with a monopoly, can charge high western prices for Soviet-style rooms.

CEI found a loophole. Ukraine's parliament owns the Moscow Hotel, centrally located on the hill overlooking Independence Square. Long negotiations yielded a joint venture agreement endorsed by the parliament's leadership.

The Stalinist-style building is to be stripped down to the main frame and rebuilt, and the MPs who currently live in it will be given other accommodation.

It is understood the project enjoys the backing of Mr Oleksandr Moroz, the Socialist speaker of parliament, where Communists and Socialists have a majority. Mr Moroz this week celebrated Lenin's birthday, but has described the Moscow Hotel venture as making good business sense.

The success of hotel ventures in the former Soviet Union depends on the location and the ability to enter the new market quickly. The Moscow Hotel, if completed on time, would satisfy both criteria.

The nearly dozen western-style hotels that recently opened in Moscow, the Russian capital, are able to charge the highest rates in the world because demand exceeds supply. Kiev offers a similarly distorted market.

CEI did not want to reveal the profit sharing scheme reached with parliament or the western financing it said was available.

Mr Brown was general counsel at Olympia & York, the Canadian group, and handled the troubled Canary Wharf development in London. Eighteen months ago he teamed up with a Scottish architect and a British-Ukrainian, Ms Bohdana Krushelnycky, to set up CEI specifically to do the Moscow Hotel deal.

Ms Krushelnycky came back to Ukraine four years ago and developed the good contacts critical in a difficult investment climate.

"Ukraine needs a five-star hotel to encourage business travel and foreign direct investment," said Ms Roberta Feldman, a Ukraine investment officer at the International Finance Corporation.

Overhaul of French health system gets cabinet go-ahead

By Andrew Jack in Paris

The French cabinet yesterday approved the three legislative changes to overhaul the country's costly health system over the next few months.

The "ordinances", which are not subject to full parliamentary scrutiny, complete the legislation to enact the social security reforms announced by Mr Alain Juppé, the prime minister, last November, to a storm of protest.

The health reforms triggered divisions within the medical profession – three unions called them a move towards the "rationing" of healthcare while a fourth, representing most general practitioners, backed the changes.

CSMF, one of the unions currently involved in strike action which has included blocking streets and closing surgeries, said one in two Parisian doctors had stopped work, while MG-France, which called on its members not to protest, estimated the effect was less than 20 per cent across the country.

One of the ordinances creates a new regional system of administration for France's hospitals, designed to create a more localised and more tightly managed network.

The second covers the conduct of doctors and introduces a system of records for everyone in the country to show their use of the health system and provide sanctions for those who abuse it.

A third deals with the management of the country's three social security agencies, which cover health, retirement and family assistance. The power is to be more equally divided between unions and representatives of business, with regional administrators appointed by the cabinet.

In an interview in Le Monde, Mr Jacques Barrot, the social affairs minister, denied suggestions that the reforms would lead to rationing, but would cut down on abuse and provide assistance "on the basis of just care, medically justified and economically adapted".

Mr Barrot warned last week that the social security deficit for 1996, which the government needs to reduce to meet its overall budget deficit targets, would be nearer FFr30bn ($5.8bn) than the FFr17bn previously forecast. He said yesterday that he hoped to maintain his target for an increase in medical expenses during the current year of 2.1 per cent.

The National Assembly is set to debate the ordinances in September, and the modifications will begin to be put in place swiftly thereafter, with a medical registration book distributed to everyone in the country. Separately, the government plans to introduce draft legislation to the French parliament this summer on the creation of a universal health insurance system.

Government blocks Athens casino plan

By Kerin Hope in Athens

A project to build a casino and resort complex aimed at attracting high-spending tourists to Athens was blocked by the government yesterday.

Instead, the Socialist government is to modernise the run-down Mont Parnes casino near Athens, which belongs to Greece's state tourist organisation, and invite bids from international casino operators to take over its management.

Greece's development minister, Ms Vasso Papandreou, said yesterday a casino which opened last year at Loutraki, operated by Powerbrook of Israel, would have to renegotiate its licence with the government. The Loutraki casino, two hours' drive from Athens, is likely to do more business following the decision to cancel the Athens casino project.

The government's tourism policy is being revamped under Ms Papandreou, who opposes the previous administration's plan to raise Dr40bn ($165m) in revenues by awarding 14 casino licences around Greece.

Ms Papandreou's decision earlier this month to revoke a licence for a second Athens casino, awarded 18 months ago to a Greek-South African consortium, confused investors and prompted a fall in Athens share prices.

Four Greek construction companies listed on the bourse paid Dr11bn for the Athens licence, in partnership with Sun International, the gaming concern controlled by Mr Sol Kerzner, the South African hotel operator.

However, Ms Papandreou made clear that two other casino projects involving US investors would go ahead.

Hyatt International, in partnership with the Laskarides shipping group, has invested $130m in a casino resort under construction in northern Greece. Playboy Enterprises, whose Greek partners include a state-owned bank, has paid Dr2.4bn for a licence to operate a casino on Rhodes.

Turkish parliament votes for corruption probe into Çiller

The Turkish parliament yesterday voted to set up a commission to investigate corruption charges against Mrs Tansu Çiller, the former prime minister, Agencies report from Ankara.

MPs backed by 232-179 a motion by Refah, the Islamic fundamentalist party, for an inquiry into alleged links between Mrs Çiller and contract irregularities at Tedas, the state-run electricity company, during her 1993-95 premiership.

The move involves allegations that Mrs Çiller and her tycoon husband headed a "Waterfront Gang" – named for her posh villa on the Bosporus – that used the government for personal gain. Refah accuses the former prime minister of "misuse of power and privilege and causing losses to the state".

The probe could imperil the six-week-old centre-right coalition government between Mrs Çiller's True Path party and the Motherland party of Mr Mesut Yilmaz. Under their power-sharing arrangement, Mr Yilmaz is currently prime minister and is to be succeeded by Mrs Çiller next year.

Refah had accused Mrs Çiller of ordering the energy department to favour certain companies in a public tender for a $300,000 contract.

Refah has said it will also seek an inquiry into the source of Mrs Çiller's wealth, estimated at $7m.

Mrs Çiller, Turkey's first woman prime minister, has vigorously denied the charges, saying they are calculated to bring her political downfall.

A 15-member parliamentary commission will study the charges for two months before submitting a report to Parliament. Even if the report suggests she be prosecuted, a majority vote is needed in the 550-member parliament to send her to court.

The parliamentary investigation could lead to Mrs Çiller's prosecution in a supreme court, blocking her turn as premier at the end of this year – a deputy standing trial in the supreme court cannot serve as prime minister.

The Democratic Left party, led by former premier Mr Bulent Ecevit, is preparing its own demand for a probe of the privatisation by Mrs Çiller's government of the Tofas automotive company. This will be debated in parliament next month.

The allegations over the Tedas project were initially raised by the Motherland party, some of whose deputies joined Refah – the largest single party in parliament – in yesterday's vote. Mr Yilmaz campaigned on a platform critical of Mrs Çiller's handling of public tenders and privatisation projects in last year's general election, and has declined to rally his deputies in parliament to vote for her.

There were press reports that she had told her party that she would withdraw from the coalition if Motherland backed the probes.

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Anger as Commission blocks far-off platinum merger

Brussels' move is likely to hurt Gencor more than Lonrho, report **Mark Ashurst** and **Neil Buckley**

Lonrho and Gencor's Impala Platinum both condemned yesterday's rejection by the European Commission of the proposed merger of their platinum interests.

But while Mr Dieter Bock, Lonrho's chief executive, merely said he was "puzzled" the Commission had prevented a transaction to which European consumers had little exposure, Mr Michael McMahon, Impala's chairman, said Impala would challenge the ruling in the European Court, and accused the Commission of "ignoring compelling evidence that this merger was based on the soundest pro-competitive rationale".

Mr Tiny Rowland, Lonrho's founder, proclaimed the Commission's decision a victory for him. He has consistently opposed the merger as "not being good enough for Lonrho shareholders" and said he had provided technical and financial evidence to Brussels.

The differing strength of the reactions of the two companies perhaps reflects the different extent of the impact the decision will have on them. Analysts believe the decision will be more of a blow to Gencor than to Lonrho.

They said the demerger of Lonrho's mining and non-mining interests, proposed by Mr Bock in January, was even more likely to go ahead following the ruling. They added that that the UK conglomerate was unlikely to have difficulty finding another buyer for its platinum interests.

One candidate might be Broken Hill Proprietary of Australia. Another might be Anglo-American Corporation, South Africa's biggest company, which last month took a 6 per cent stake in Lonrho. But the Commission gave a clear signal yesterday that any deal that left Anglo-American in control of Lonrho's platinum interests was likely to run into the same kind of competition problems as the vetoed Lonrho-Gencor deal.

In London, Lonrho's share price fell only ½p to 197½p.

For Gencor, the ruling may be a more of a setback. After a four-month Commission investigation, any appeal by Impala will need to make a new case for the merger. Analysts yesterday generally agreed that a challenge to the Commission's jurisdiction was a more likely basis for an appeal than a restructuring of the proposed merger.

The ruling will also raise questions about the EU's role in Africa, and is widely expected to result in a challenge to the premise that the Commission can have jurisdiction over multinational mining groups more than 10,000km from Europe.

There were also doubts yesterday over the stance of South Africa. Contrary to the Commission's claim that South Africa had broadly supported its conclusions, reliable sources at Impala claimed that Mr Thabo Mbeki, South Africa's deputy president, had endorsed the merger.

"The ANC has always been critical of anti-competitive behaviour among the biggest conglomerates. In general terms, the government would share the EU's concerns, but that does not mean it accepts their jurisdiction," said one analyst. The government had no comment yesterday.

The EU is opposed to "the creation of a duopoly on the supply side of the platinum market". If, as expected, Anglo bids for control of Lonrho's mining assets, it would probably be forced by the European Commission to sell Lonrho's Western Platinum and Eastern Platinum mines to a third party. Australia's Western Mining group has been mooted as a possible buyer.

Impala already has a 27 per cent stake in the Lonrho companies, and in terms of a January 1990 agreement has a right of refusal on the remaining shares should Lonrho choose to sell.

In terms of the proposed merger, Lonrho and Impala, which is controlled by Gencor, would each have held a 31.8 per cent stake with the balance held by institutions.

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NEWS: EUROPE

Tietmeyer warns social partners on jobs

By Peter Norman in Bonn

Mr Hans Tietmeyer, the Bundesbank president, yesterday warned Germany's employers and trade unions that they carried the main responsibility through collective bargaining on wages and conditions for cutting unemployment – more than 4m at present.

In the Bundesbank's annual report, he stressed that German business needed to operate in more calculable and stable conditions over the long term than had been possible in the five years since unification. Producing these conditions also required a breaking down of regulatory rigidities, a thorough-going consolidation of the public finances, including the social security system, and reductions in taxes and other levies, he said.

The Bundesbank's report, released only hours after the trade unions broke with the government and employers over measures to boost the economy by curbing workers' rights, was moderately optimistic about Germany's economic prospects this year.

However, in his foreword, Mr Tietmeyer said a concerted effort was needed if Germany was to meet the Maastricht public sector deficit criterion of 3 per cent of gross domestic product by early 1998, when a decision would be made on which countries should join economic and monetary union.

In a reference to the negotiations in the government on spending cuts and welfare changes, he said guidelines on financial and social policy needed to be fixed soon because of the long lead times for decisions to take effect. The report "emphatically rejected" any idea of weakening the Maastricht criteria to facilitate the start of Emu and the European single currency on the planned date of January 1, 1999.

In a passage of importance for the UK, it stressed that all criteria – including that requiring two years' membership of the exchange rate mechanism of the European Monetary System – should be considered of equal importance.

While admitting that Germany had got off to a bad start in 1996 because of the harsh winter and that growth for the whole year would be modest, the central bank said the prospect of an economic recovery in the second half "had moved a bit nearer" in recent times.

The Bundesbank said outlook for an upturn in exports was "altogether favourable". Germany's visible trade surplus, which nearly reached DM100bn ($65.7bn) last year, had returned to pre-unification levels, while last year's sharp appreciation of the D-Mark had largely reversed itself.

German workplace consensus 'has failed'

By Wolfgang Münchau in Cologne

The German model of consensus in industrial relations has failed, and the country faces an exodus of industry unless it embraces painful change, according to the head of Germany's main industry body.

In an interview, Mr Hans-Olaf Henkel, president of the Federation of German Industry (BDI), said the German trade union movement was facing terminal decline, and suggested that Germany would move increasingly towards an Anglo-Saxon style emphasis on individual self-reliance.

His blunt and harsh critique of Germany's consensus-based industrial system and welfare state came as Chancellor Helmut Kohl, employers and unions prepared for Tuesday's tripartite talks on welfare reform which broke up in mutual recriminations.

Mr Henkel said public sympathy for an alliance for jobs – proposed by unions as a trade-off between pay restraint and job creation – "corresponds to the desire among Germans to generate jobs by means of round-table discussions, by putting arms around each others' shoulders, by signing papers, instead of swallowing bitter medicine. "The public is being conned into believing that employment can be generated through alliances and fiddling with symptoms," he said. If the government continued to seek union approval for the welfare reform agenda, it would fail to meet its target to cut unemployment in half by the end of the decade "and the employers will have no choice but to do what they did in the last few years. We will vote with our feet, and go abroad."

> Industry chief: 'The public is being conned into believing that employment can be generated through alliances'

The German consensus model had worked well for 40 years, but was not working at the moment, as it has resulted in growing unemployment. "This model is on trial not only because of its results but also because other countries have achieved similar levels of social peace and political stability. Today, there are no strikes in Great Britain, nor in most other countries."

He also criticised the German tendency "to do everything exactly the same in every part of the country", such as the restrictive laws on shopping hours, which apply uniformly throughout the country, and industry-wide wage contracts, which take little account of regional variations and the profitability of individual companies.

Mr Henkel said trade unions were "in decline throughout the world". One reason was the changing perception of the role of the individual in society. "People want less co-determination or determination by others. They want self-determination, and I believe that freedom is increasing in western democracies."

Like other employers and a growing number of politicians, he expressed deep concern about the prevalence of risk-aversion in a country where jobs in the civil service are widely seen as preferable to jobs in industry.

"These are the consequences of a complete and utter social saturation of our working population, which the unions and a generation of welfare politicians have created. Without this security, we would have more pioneers and risk takers, as we had after the war," he said.

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Nato bans flights by Bosnian army

The Nato-led peace force has grounded all Bosnian government flights until further notice after unauthorised aircraft did a flypast during a military parade last Sunday, a force spokesman announced yesterday, AP reports from Sarajevo.

Nato has controlled Bosnian airspace since a no-fly zone was imposed in the summer of 1992.

After the ceasefire took effect in October last year, Nato allowed the parties to carry on non-military flights but those have to be approved by Nato 72 hours in advance, while the peace force makes random checks on passengers and cargo. The Bosnian army on Sunday flew two helicopters and two light fixed-wing aircraft without prior authorisation during the parade in Bihac in north-western Bosnia.

Major Simon Haselock, spokesman for the peace force, said that "as a result of these breaches" the commander of the Nato ground forces in Bosnia, Lieutenant General Sir Michael Walker, has banned all Bosnian government flights. In last Sunday's incident, the Bosnian army drove tanks, artillery pieces, armoured vehicles through Bihac. Major Haselock said the peace force remained worried by "potential hostile rallies".

Sarajevo celebrated a Moslem religious holiday yesterday when sheep were slaughtered and the meat distributed to the poor AP

EUROPEAN NEWS DIGEST

Rise in German insolvencies

The number of corporate insolvencies in Germany in January rose 13.3 per cent from a year earlier, while the Ifo research institute said demand in the manufacturing industry in March was "weak" and the general situation in the sector had worsened from February.

Germany's federal statistics office reported yesterday that insolvencies rose to a total of 1,868, following December's 10 per cent year-on-year rise in corporate insolvencies to 2,174.

Ifo said in its March economic survey that capacity utilisation fell to 81.9 per cent in the first quarter from 84 per cent at the end of December. Orders on hand in March were equivalent to 2.7 months of production, compared to 2.5 months at the end of December. But Ifo said there was an increase in the number of companies which regard the level of outstanding orders as too low.

Companies were more pessimistic about the general outlook for the next six months and less confident about export prospects. Companies in some sectors remain just as sceptical about business prospects as in February, the research institute said. *AFX, Wiesbaden, Munich*

Italy's poll winner sees rate cut

Mr Walter Veltroni, deputy leader of the Olive Tree alliance which won the Italian general elections, said he foresaw a cut in the Italian discount rate of at least 1 per cent within the next few months.

In an interview with the weekly news magazine, Panorama, Mr Veltroni said the cut would mean an extra L20,000bn ($12.9bn) would be available to get the Italian economy "in motion".

Meanwhile, Mr Paolo Garonna, director general of the Italian statistics bureau, said any rate cuts would have to wait until the government's mini-budget, due by May 15, and the reactions of the financial markets.

"If the financial markets welcome the new centre-left government's fiscal and economic programme, the lira will be strong enough to make possible a re-entry into the European exchange rate mechanism," Mr Garonna said. *Agencies, Rome*

EU requires belts on buses

The European Union has agreed that new coaches and mini-buses will have to fit seat belts for all passengers. The decision was taken on Tuesday after EU officials hammered out a deal on phase-in dates for new rules.

From 1999, all new designs of mini-bus will have to have three-point seat belts, officials said. All designs would have to comply by 2001. Between those two dates, vehicles approved beforehand will continue to be sold. For medium-sized and large coaches, the agreement is for two-point belts and energy-absorbing seats for new vehicle types from 1997 and for all new vehicles from 1999. *Reuter, Brussels*

French growth revised down

France's gross domestic product in 1995 grew 2.2 per cent, revised down from a preliminary estimate of 2.4 per cent, the national statistics bureau, Insee, reported yesterday.

The country's fourth-quarter GDP shrank 0.4 per cent, a steeper decline than the 0.3 per cent estimated earlier. Insee also revised second- and third-quarter 1995 growth to 0.1 per cent for each quarter, from 0.2 per cent. First-quarter growth was left unchanged at 0.7 per cent. Mr Alain Lamassoure, budget minister, blamed the downward revisions on the national strikes late last year *AP-DJ, Paris*

NEWS: THE AMERICAS

Landmark bill passes US Senate

Healthcare reform starts to take shape

By Jurek Martin in Washington

The health insurance bill passed by the US Senate on Tuesday may be the country's largest medical reform measure of the last 30 years – but its progress into the statute books is far from assured.

Significant differences exist between the bills passed by both chambers of Congress and President Bill Clinton is poised to veto any compromise legislation that emerges from the joint conference committee which includes controversial provisions approved by the House.

Even the composition of the conference committee was a matter of dispute yesterday. Moderate Republicans and Democrats on the Senate labour committee temporarily blocked a move by Senator Bob Dole, the majority leader, to weight Senate representation on the panel in favour of conservative members from the finance committee.

The Senate bill, co-sponsored by Senators Edward Kennedy, the Democrat from Massachusetts, and Nancy Kassebaum, the Kansas Republican, was eventually passed by an unusual 100-0 vote. But Mrs Kassebaum repeated her warnings that the House of Representatives version was unacceptable to her, while Mr Dole said that aspects of the Senate bill would never get through the House.

The Kennedy-Kassebaum measure is a pale shadow of Mr Clinton's failed healthcare proposals of 1993-94, which the president has recently admitted were too complex. Nevertheless, it constitutes the first substantial reform of any part of the health insurance regime since the creation of Medicare and Medicaid, covering the elderly and the poor, in the mid-1960s.

Their bill would make insurance more portable from job to job and sharply limit exclusions from coverage for those with existing medical conditions – both features of the House bill. It would gradually increase tax deductibility for the self-employed from 30 to 80 per cent of premium costs.

But it would also require insurers to provide coverage for mental illnesses comparable to that available for physical ailments. Senator Pete Domenici, the Republican from New Mexico, captured the mood of the Senate precisely when he said that existing low coverage for mental illness was "one of the real continuing injustices in America today".

Senators Dole, Kennedy and Kassebaum – as well as much of the insurance industry – believe, however, that this would inevitably lead to a steep increase in premiums and thus might persuade companies to stop offering insurance to their employees.

The House version includes the creation of medical savings accounts (MSAs) and places limits on malpractice lawsuits against doctors and hospitals, both rejected by the Senate, partly for political reasons but mostly in order to keep its bill as uncomplicated as its co-sponsors wanted. Mr Clinton has said that he will veto any final bill that includes either.

MSAs would enable healthy people to set aside funds for future medical problems in special tax-deferred accounts. Its critics claim this favours the rich and could also lead to an increase in general premiums if the insurance pool were stripped of those making few medical claims.

Neither bill addresses the problem of the uninsured, a central plank in the Clinton proposals. These were estimated at 37m people two years ago and now probably exceed 40m. As Mr Kennedy told the Senate: "This legislation is not comprehensive health reform... but it is proof positive that progress is again possible."

Celebrities bid for a piece of Camelot

Maggie Urry reports from New York on sale of Jackie's trinkets

When Americans clear junk from their attics they hold a "garage sale".

But when a former First Lady's children have estate taxes to pay, Sotheby's is hired to stage an event of unparalleled vulgarity. Primly described by the old-established auction house as "the sale of art and objects from the estate of the late Jacqueline Kennedy Onassis", it has been dubbed the most expensive garage sale in history.

Wisely, John F Kennedy Jr and Caroline Kennedy Schlossberg were not in attendance when the auction of their mother's possessions began on Tuesday evening. Even New York magazine, a publication not noted for delicacy of feeling, likened the sale to "going through the poor woman's underwear drawer".

A fleet of black stretch limos deposited rhinestone-spangled celebrity bidders outside Sotheby's New York auction house on Manhattan's Upper East Side for the event.

Once inside, buyers fought to pay well over the odds for Jackie's silver-cased Tiffany tape measure, John Jr's high chair, and the now stained and torn footstool little Caroline once used to climb on to the window seat at the White House.

Victors emerged, some, like Joan Rivers, the talk show hostess, displaying their spoils to the CNN camera positioned under a canopy outside.

As lot after lot sold for many times estimate, the first session of the four-night sale brought in $4.5m, almost reaching the $5m at which Sotheby's valued the entire auction – an indication that it totally misjudged the level of public interest.

John F Kennedy's rocking chair, estimated at $3,000 to $5,000, sold for $442,000, before commission. A humidor given to the president for his inauguration by the comedian Milton Berle was knocked down for $574,000, more than 200 times its estimate. Mr Martin Shanken, editor of the magazine Cigar Afficionado, beat off frenzied competition to acquire it.

Actual works of art beat their estimates more modestly. Robert Rauschenberg's "Drawing for President of the USA with Dante" sold for $244,500, against an expected $100,000, and John Singer Sargent's "Head of an Arab" only doubled its forecast at $222,500.

Much of what is on offer is paste and reproduction, and the sort of junk any family collects. Why would anyone pay so much for the jumble on sale at Sotheby's?

First, there is the growing desire to own something that once belonged to someone famous, which has spawned a market for celebrity possessions. Buyers, perhaps, believe that some of the fame will rub off on them.

In the case of the Kennedy sale, as many of the bidders said, they were buying not just fame, not just Jackie's "good taste", but "a slice of history". The best prices were paid for items which had graced the White House. Things Jackie acquired in her Onassis period were less sought after.

As one older American put it yesterday, you can only understand the outpouring of sentiment, nostalgia and money if you lived through the Kennedy years, when the White House became "Camelot".

Then, power and wealth combined with the perfect family. The vigorous young president was going to transform America, with a beautiful wife at his side and the ideal "one of each" children at his knee. The shattering of that image by an assassin's bullet, Jackie's dignity in her grief, the children's presence at the funeral, only added to her iconic power.

There is once again a youngish president installed in the White House, with an attractive-ish wife at his side. But the Clintons have not rekindled the hopes of the early 1960s and Americans still long for Camelot. By buying something from those years, they are trying to recapture the fantasy.

Paraguayan strongman forces president's retreat

David Pilling reports from Asunción on a return to the bad old days of S American politics

There may be no tin-pot dictatorships left in South America, but many Paraguayans yesterday felt their country had confirmed its reputation as a tin-pot democracy when President Juan Carlos Wasmosy caved in to military strongman General Lino Oviedo.

The rebellious general, who earlier this week had threatened a coup d'etat, yesterday stepped down as army chief in return for a presidential promise to appoint him defence minister.

Mr Wasmosy's apparent retreat in the face of military might came despite huge domestic and international support for his earlier decision to sack the general.

In a military ceremony replete with the pomp, strutting and stiff salutes associated with the Latin America of yesteryear, Mr Wasmosy accepted Gen Oviedo's resignation. Mr Wasmosy, Paraguay's first elected president in half a century, said the compromise was the only way to avoid "bloodshed and the possible deaths of innocent compatriots".

But even as the president was bear-hugging the general in an army barracks in the outskirts of the capital, Asunción, angry crowds were gathering in protest outside the presidential palace. Many of the same people who on Tuesday had flocked to support Mr Wasmosy in his stand-off with the general yesterday repudiated what they saw as the president's cowardice in missing an historic opportunity to strengthen the country's fledgling democracy.

"Today the people's eyes were opened and they realised that a pact had been made between Oviedo and Wasmosy," said Mr Roberto Aguilar, a campaigner for homeless people.

Several politicians from the governing and opposition parties said they would oppose Gen Oviedo's appointment as defence minister, a promotion they described as an *autogolpe*, a coup implemented by the executive. Little would now stand in the way of the general's ambitions to be elected president in 1998, they said. Some legislators vowed to press for the general to be put on trial and the impeachment of the president.

Prospects of a serious rupture within the governing Colorado party were also raised when Vice-President Angel Roberto Seifart said he rejected "any solution that signified rewarding an act of rebellion and sedition".

Retired Major Fernando Oviedo, who attended his brother's ceremonial handover of command – an event attended by Mr César Gaviria, secretary general of the Organisation of American States – said Gen Oviedo's campaign for president "has just begun". Maj Oviedo, who was hoping for a post in his brother's future cabinet, said: "We will clean up this country of its bad ways, of contraband, and drug-trafficking and all sorts of murky deeds."

In a farewell speech to his soldiers, Gen Oviedo – wearing a jutting peaked cap that added several inches to his small stature – said "no just or democratic state should underestimate the role of the armed forces."

The dignity of the ceremony was undermined when a large, flightless rhea wandered nonchalantly across the parade ground, mingling with soldiers garbed in the red, white and blue of the Paraguayan flag. At one point, quote-hungry journalists stampeded the podium only to be greeted by an eerie clicking as nervous young soldiers loaded magazines into their submachine guns.

Although most Paraguayans appear to have rejected the posturings of Gen Oviedo, the populist orator who uses the native Guarani language in speeches to poor *campesinos* is not without his supporters.

"This is the last strongman in Paraguay. We are all afraid of him, but he is good for the country," said one man yesterday. "He's a real macho, but he has always offered a hand to the poor."

In downtown Asunción, there were freshly painted signs proclaiming "Oviedo For 1998".

Mr Vincente Prieto Servian, a corpulent Colorado party official draped in gold jewellery, said excitedly: "Oviedo is the Paraguayan Pope. Remember this fat, ugly man told you he is going to be the next president."

General Oviedo and President Wasmosy in a bear-hug at an army barracks outside the capital yesterday AP

Defence lifts orders figures

US durable goods orders rose surprisingly in March as strong demand for new aircraft more than made up for weaker new-car orders, the Commerce Department said yesterday, Reuter reports from Washington. But without aircraft and defence-related orders, the report reflected moderate economic growth, according to analysts.

Total new orders for durable goods rose 1.4 per cent to a seasonally adjusted $167.6bn – in sharp contrast to Wall Street economists' expectations of a 0.3 per cent decline. Orders fell in January and February.

Besides new aircraft, the increase was also fuelled by defence orders, which shot up 73 per cent to $10.3bn after falling 21.1 per cent in February. It was the biggest monthly rise in defence orders since an 85.3 per cent jump in December 1991.

"The rise was all in defence, otherwise the figures were fairly subdued," said Mr David Sloan, senior economist at consultants IDEA. "There was a rise in transport orders but that was aircraft parts for defence since there's an overlap between defence and transport. The defence rise will be reversed next month."

Strike cripples Sri Lankan tea plantations

By Amal Jayasinghe in Colombo

An unprecedented work stoppage has crippled plantations in Sri Lanka, the world's largest exporter of tea, and added to the woes of the country's war-battered economy, trade unions and officials said yesterday.

An estimated 800,000 workers in the tea, rubber and coconut estates are on a strike, demanding a 10.5 per cent wage increase which the government says it cannot afford because the industry is only just recovering from a prolonged slump. The strike will continue until Saturday, when leaders will decide on whether to step up their action.

"A few estates which are doing well may be able to absorb a higher wage," said Mr Mahinda Rajapakse, labour minister. "But the majority are in a bad shape and if we raise wages now, a lot of small holders will have to close down."

Officials said the strike was costing the tea trade $10m a week but the long-term damage to the image of "Ceylon Tea" and the loss of buyers could be more serious.

The tea bushes grown on mountain slopes in central Sri Lanka must be pruned daily by hand to pick tender, light green leaf buds that go to make top-quality black tea.

"If the crop is neglected for one week, it will take longer to get back to normal," a broker at the Colombo Tea auctions said. "The quality will suffer and drive buyers to competing markets in India and Kenya."

The strike also underscores the uneasy relations within President Chandrika Kumaratunga's governing coalition. Mr Saumyamoorthy Thondaman, rural industrial development minister, who heads the powerful Ceylon Workers Congress (CWC), is the leading protagonist.

President Kumaratunga's People's Alliance party has a one-seat majority in the 225-member assembly and that puts a premium on Thondaman's seven CWC legislators.

"Mr Thondaman is holding the government to ransom and in the process digging the grave for the entire country," a bitter tea trade official said.

The CWC, however, said it was demanding only what had already been granted to workers in other sectors. Tea pluckers are currently paid $1.37 a day, slightly less than a junior civil servant.

"The strike is a tremendous success," CWC spokesman Mr P. Anthonymuttu said.

But it is seen by financial analysts as a double blow to the country's foreign investment prospects.

Labour unrest comes hot on the heels of stepped-up Tamil rebel attacks against economic targets in the capital, Colombo.

Less than two weeks ago, the Tamil Tigers tried but failed to bomb Colombo harbour. The guerrillas, however, caused widespread concern with the bombing of the Central Bank on January 31, killing 91 people.

The tea and rubber plantations, which account for about a quarter of the country's total exports, are being put up for sale under the government's ambitious privatisation programme, which hopes to attract foreign investors.

The government hopes to earn $420m in total from the sale of state assets such as telecoms, national airline and the plantations, and the money is to finance the budget deficit this year.

Any shortfall will further widen the deficit, which in last November's budget was forecast to reach 9 per cent of gross domestic product for 1996.

A severe drought and electricity shortages have also added to the headaches of the government.

The defence budget, estimated at $670m for 1996, is threatening to go up with the escalation of fighting between government forces and Tamil Tigers.

The war effort against the Tamil Tigers in 1995 absorbed $640m, or nearly a 10th of government revenue. With the fighting causing more deaths every day, the tiny Colombo Stock Exchange has been seeing a steady decline.

"The market seems indifferent to the tea strike or any other development," senior broker Mr Elton Ebert said. "The market is so depressed it is difficult for it to go down any more."

Timing Japan's interest rate rise

Gerard Baker on false noises and real signs for monetary authorities

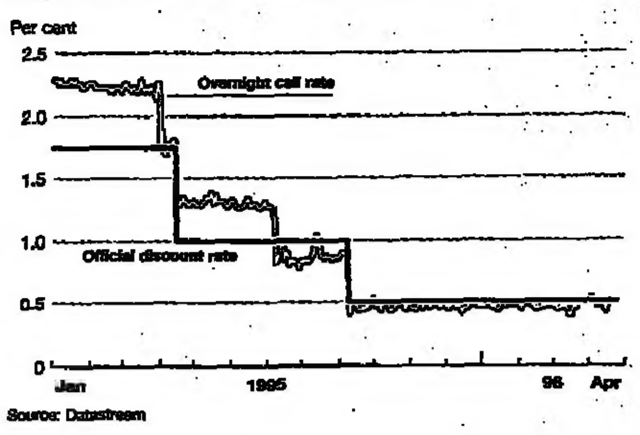
The world's leading finance ministers generally try to avoid giving each other public instructions about how they should be conducting their national monetary policies. The spring meetings of the Group of Seven finance ministers and the International Monetary Fund are usually treated instead as an opportunity to present an image of orderly co-ordination of policy among friends.

It was with slight irritation, then, that last weekend the Japanese authorities attending this year's G7/IMF meeting in Washington received the stern admonitions of Mr Robert Rubin about the future course of Japanese policy. The US Treasury secretary voiced concern at the prospect that Japan might be about to end its long period of monetary accommodation and move to raise interest rates.

"Prospects in Japan have improved since we last met... But risks remain, and an early tightening of policy could undermine the recovery," he said.

Though they quickly played down any suggestion of a rift, Mr Wataru Kubo, the finance minister, and Mr Yasuo Matsushita, the governor of the Bank of Japan, knew very well that Mr Rubin was consciously adding to the pressure on them as they approach a critical stage in their deliberations on interest rate policy.

Japanese rates: unorthodox manoeuvres



Source: Datastream

Mr Rubin's worries are understandable. Japan's record-breaking monetary easing of the last year has proved an undisguised blessing not just for Japan, but for the whole world. Since the official discount rate was cut to an all-time low of 0.5 per cent last September, the Japanese economy has at last broken free of the recessionary grip that had held it for four years. Output growth in the fourth quarter of last year was an annualised 3.6 per cent and is expected to remain above 2.5 per cent.

As Japan's markets have gradually opened up, that improvement has translated much more fluently into increased Japanese demand for world output.

And the same low interest rates have also benefited financial markets. The Bank of Japan's injections of liquidity aimed at keeping rates low have contributed to the dollar's sharp rise in the last six months and have even assisted overseas bond markets. A change in policy now would threaten both real economic performance and the stability of global capital flows.

But for some weeks, Japan's policy makers have been issuing dark hints about the need for an increase in interest rates. Just last week, days before the Washington meetings, Mr Matsushita again mused publicly that low interest rates had been one of the main causes of the asset price inflation of the "bubble" economy in the 1980s – a mistake, he suggested, that would not be made again.

Is the largesse about to end? Monetary indicators certainly point in that direction. Narrow money supply is growing at an annual rate of 16 per cent, though broader money growth is much slower. And with the stock market rising fast, Mr Matsushita's reminder about the policy errors that led to the bubble economy appears timely. The bond market is discounting, cautiously, a rise in Japanese interest rates, perhaps within weeks.

This still looks premature. Though the economy is gradually recovering, inflationary pressures remain mild. The recession was so deep that the decline in production has opened up a huge gap between Japan's actual output and its potential output – estimated by the Organisation for Economic Co-operation and Development to be at about 4 per cent of gross domestic product. This suggests the economy could grow for some years at current rates without the risk of re-igniting inflation.

An additional constraint on policy will be the tightening of fiscal policy that is likely to take place over the next year or so. As the government looks to restore its finances, it will want to use low interest rates to compensate for the reduction in demand.

Then, of course, there is the perennial financial problem. Low interest rates have helped the banks offload a large chunk of their bad loans, but their condition is still fragile, and they continue to need as much help as the authorities can provide.

None of this, however, necessarily rules out a technical monetary tightening in the next few months.

For a year, the central bank has been doing something unusual in the country's money markets. It has been deliberately holding call money lending rates below the normally base level official discount rate. The reason for the unorthodox manoeuvre has been the financial emergency the country has been experiencing. The Japanese financial authorities have been on red alert for serious liquidity problems at some of the smaller banks, several of which have already collapsed. Holding the call rate below the official rate provides a quick channel for cheap, emergency lending to the less liquid institutions.

When the authorities decide that the immediate threat to the system has passed they will nudge rates gently back to normality, and allow the call rate to drift back above the official discount rate.

That should not be construed as an official monetary tightening, however, more of a technical adjustment in recognition of the more stable condition of the financial sector. A rise in the official discount rate, which will mark the genuine start of the upward phase of the interest rate cycle, will not follow until the Bank and the finance ministry are convinced that the recovery is set fair.

Then it will be their judgment, not minatory remarks by foreign governments, that will determine the timing.

Canberra determined on Telstra sale

By Nikki Tait in Sydney

Australia's new conservative federal government yesterday made clear its determination to push through legislation to allow partial privatisation of Telstra, the large government-owned telecommunications group, warning it would extend parliamentary sittings if necessary.

Legislation to permit the sale of one-third of Telstra's equity – which could raise around A$8bn (US$6.2bn) for the government – is likely to be one of the biggest parliamentary battles faced by the new administration when parliament recommences on Monday after the March 2.

While the Liberal-National coalition has a huge majority in the lower house, it does not command a majority in the Senate. The balance of power is held there by two minor parties – who oppose the Telstra sale – and one independent.

Yesterday, Senator Robert Hill, the government's leader in the Senate, wrote to all senators warning that the coalition intended to get the bill passed during the next session, which is due to run from April 29 to June 27.

"This might well require sitting weeks beyond the end of June. The government will be seeking such extra sitting weeks as are necessary to achieve its objective," he said.

The timing of the sale – which if completed in a single tranche would be much bigger than any previous sell-off – is delicate. Australia has been moving towards a deregulated telecommunications market, and Telstra's former monopoly position has already being eroded in the long-distance and cellular markets. Optus, its principal competitor, is due to start offering local telephony services shortly, via Optus Vision, its cable associate.

ASIA-PACIFIC NEWS DIGEST

Car output falls in Japan

The declining role of Japan as the world's manufacturing base for vehicles was underlined yesterday, with industry statistics indicating that domestic vehicle production declined last year for the fifth consecutive year.

The Japan Automobile Manufacturers' Association said that last year vehicle production in Japan dropped 5 per cent to 10.1m units. This is the first time in the industry's history that production has fallen five years in a row. Production in March was down 11 per cent month-on-month to 983,245 units, the association noted.

The decline reflects the ongoing shift of manufacturing overseas by Japanese carmakers. As they face pressure from a high yen, trade friction and the growing need to compete globally for markets, Japanese carmakers have stepped up production in regional markets. *Michiyo Nakamoto, Tokyo*

Optimism on China growth

China's economic growth this year is expected to exceed the target of 8 per cent and range closer to last year's 10.2 per cent GDP increase, according to the "1996 Financial Outlook" released by the People's Bank. The bank also expressed cautious optimism about China achieving its target of a 10 per cent increase in retail price inflation compared with 14.8 per cent in 1995.

The forecast predicts a narrowing of China's trade surplus, which reached $16.69bn last year, according to Chinese customs statistics. In the first quarter of this year exports were down 8.7 per cent and imports up 23.2 per cent compared with the same period last year. *Tony Walker, Beijing*

Australian wage inflation slows

Australia's rate of wage growth slowed in February, lifting hopes that Australia could avoid a rise in interest rates in the short term and could even move towards a rate cut.

Yesterday's figures showed average weekly earnings rising 0.4 per cent in the February quarter, to give year-on-year rate of wage inflation of 4.2 per cent. Private-sector economists had expected a figure near 5 per cent.

Meanwhile, Australia's federal department of employment announced it would cut 1,285 jobs, or about 8 per cent of the total, as part of the new coalition government's drive to reduce the budget deficit. *Nikki Tait, Sydney*

Aum cult leader starts trial

Mr Shoko Asahara, the religious cult leader, yesterday returned to the centre of Japanese attention on the hotly awaited first day of his trial on 17 charges of murder, attempted murder and illegal drug production.

Tokyo has not seen such heavy security since the day, last May, when Mr Asahara terrorised the capital's citizens by prophesying a second gas attack.

To the charges, Mr Asahara made no reply, beyond a brief speech in which he said he cared nothing for the pain resulting from his mission to bring his followers to "absolute freedom, absolute happiness and absolute joy."

The trial, which could last up to 10 years including appeals, continues today. *William Dawkins, Tokyo*

Pepsi Cola bows out of Burma

Pepsi Cola, the US drinks group, is to sell its 40 per cent stake in its joint venture in Rangoon, bowing to pressure in the US over Burma's human rights record.

The chairman of Pepsi Cola Products Myanmar yesterday said that the company would sell its stake to its local partner; under a new agreement the local company will continue to bottle and sell Pepsi and three other soft drinks under licence from the American company for at least five years.

Pepsi Cola's joint venture accounts for 85 per cent of the 6m cases of soft drink sold in Burma; by contrast it controls only 41 per cent of the cases sold in neighbouring Thailand. *William Barnes, Bangkok*

Raising the flag: The Russian flag flies in Tiananmen Square AP

Yeltsin visit heralds China trade pacts

By Tony Walker in Beijing

Russia's President Boris Yeltsin was entertained at a lavish banquet in Beijing's Great Hall of the People last night at the start of a three-day visit to China during which more than a dozen trade and other agreements will be initialled.

These will include a feasibility study of a gas pipeline from Siberia to the Yellow sea, reaffirmation of an agreement negotiated in 1993 for a nuclear power project, and an agreement covering intellectual property rights.

Mr Viktor Mikhailov, Russia's nuclear energy minister accompanying Mr Yeltsin, said haggling over price for twin 1,000MW pressurised water reactors was holding up a final deal. The project in north-east Liaoning Province is expected to cost $4bn for the first phase.

Mr Yeltsin will push Russia's claims to be involved in building China's $30bn Three Gorges project which aims to harness the water of the Yangtze for power generation. A Russian consortium has been formed to bid on supply of turbine generators.

Other agreements and protocols to be signed include those aimed at facilitating trade, improving co-ordination in combating organised crime, and extending co-operation in environment protection along the 4,300km common frontier of the two countries.

Mr Yeltsin is also due to initial a framework agreement for security consultations with the leaders of China and three Central Asian republics – Tajikistan, Kyrgyzstan and Kazakhstan.

The signing of the agreement will be conducted in Shanghai on Friday.

Mongolia aims to capitalise on its reforms

By Peter Montagnon, Asia Editor, in London

There is an old Mongolian saying about hardship, says the country's President Punsalmaagiin Ochirbat. If it is quick and sharp, then even longer happiness will follow.

In London on an investment mission yesterday, he argued his country was finally on the verge of long happiness after several traumatic years of economic reform. Last year's 6.3 per cent growth was almost respectable even by the demanding standards of Asia.

Moving from communism to a free market economy was never going to be easy despite Mongolia's rich endowment in natural resources, Mr Ochirbat said. But that did not mean it was wrong to move speedily on reform after the breakdown of communism in 1991.

Initially, living standards collapsed, creating serious and still unresolved social problems, including a sharp rise in unemployment and homelessness, especially among young children. In the worst year of 1992, the economy contracted by 9.5 per cent and inflation soared to 325 per cent.

But Mr Ochirbat said the economy was now recovering. Capital investment rose 25 per cent to $190m last year. Industrial output was up nearly 21 per cent. Inflation is officially forecast to fall to 35 per cent this year from 53 per cent in 1995, and businessmen say about 50 mining companies are looking at ways of exploiting large deposits of gold, molybdenum and copper.

The improving economy would create scope for dealing with some social problems, Mr Ochirbat added. But it was a sign that Mongolia, the first Asian country to espouse communism and the first to reject it, was well ahead in its process of transition.

Democracy, too, was taking firmer hold, with a multi-party system enshrined in the constitution. The president, who leans to the left-wing opposition Mongolian Social Democratic party, has cohabited reasonably comfortably with a government formed by the conservative Mongolian People's Revolutionary Party (MPRP).

The latter is expected to win the general election due on June 30, when the government's term expires. Mr Ochirbat remains favourite for the presidential election in 1997.

Not all difficulties were over, he said. Inflation is too high and Mongolia has to renegotiate its rouble debt with Russia. Agreement was close on this, he said. Businessmen say the biggest obstacles remain the shortage of infrastructure and electric power.

With a population of 2.3m and over 28m head of livestock, Mongolia has an even bigger ratio of animals to people than New Zealand. With such a low population it could also become rich like Kuwait if it could exploit its mineral resources.

But it is three times the size of France, with few paved roads. Energy is scarce, as is money for infrastructure. Oil companies are prospecting; Mr Ochirbat is "optimistic" Mongolia will soon have its own oil products. Only if that really happened would a long period of happiness be guaranteed.

MONGOLIA: ON THE MOVE

	1990	1992	1994	1995
Exports ($USm)	660.7	388.4	367.5	511.8
GDP growth (%)	-2.5	-9.5	2.3	6.3
Inflation (%)	[illegible]	325.5	66.3	53.1
Unemployment (000)	-	54.0	74.9	45.1
Total foreign aid ($USm)	n/a	200.4	182.6	268.5

Source: Mongolian government

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NEWS: WORLD TRADE

Airbus likely to partner China on new 100-seat jet project

By Michael Skapinker in Toulouse

Airbus Industrie, the aircraft manufacturing consortium, has emerged as the likely co-ordinator to help China build a 100-seat jet, Mr Jean Pierson, Airbus managing director, said yesterday.

China indicated earlier this month that it regarded the Europeans as its favoured partners in the project over Boeing of the US. The European 100-seat jet project is currently being co-ordinated by Aero International Regional, a joint venture between Aérospatiale of France, British Aerospace and Alenia of Italy.

China has also indicated, however, that it would like Daimler-Benz Aerospace (Dasa) of Germany to be involved in the project.

Dasa is a leading member of Airbus but is not part of the European 100-seat jet project.

Instead, it submitted its own proposals for a 100-seater to the Chinese which would have involved Fokker, the Dutch manufacturer in which Dasa had a majority stake, helping to assemble the aircraft.

Mr Pierson said yesterday, however, that Fokker's financial collapse had changed the situation, allowing the Europeans to draw Dasa into their project.

Dasa has said that it wants Airbus to supervise the project.

Mr Pierson said: "That's probably what will happen. The Chinese want Airbus involved. Probably we will find a way in Europe to give the Chinese what they want."

Aérospatiale and British Aerospace are also shareholders in Airbus, although Alenia is not.

The Airbus partners have said, however, that they would be happy to see Alenia becoming more involved in individual Airbus projects.

Mr Pierson also said that the proposed changes in the structure of Airbus could result in the loss of up to 20 per cent of white-collar jobs in the partner companies' Airbus subsidiaries. However, he said that the committee investigating the restructuring of the consortium was likely to present a range of options rather than simply suggesting that the European consortium becomes a profit-making company.

Mr Pierson said that while the four companies that own Airbus were all committed to change, it would be impossible for the consortium to move immediately to being a listed company.

The committee, under the leadership of Mr Edzard Reuter, former chairman of Daimler-Benz, will report at the end of June on whether Airbus should abandon its status as a Groupement d'Intérêt Economique.

As a GIE, Airbus makes no profits or losses in its own right.

These accrue to its shareholders – Aérospatiale and Dasa which each own 37.9 per cent, British Aerospace which has 20 per cent and Casa of Spain which has 4.3 per cent.

Mr Pierson said that the Reuter committee would not necessarily recommend that the GIE structure be abandoned entirely.

He said that it could either recommend that Airbus become a limited company or that it changed the way it operates while remaining a GIE.

He said it would be difficult to bring in outside investors immediately.

If Airbus became a limited company it would initially be owned by its existing shareholders.

WORLD TRADE NEWS DIGEST

Sino-British shipping pact

China and Britain have reached a maritime agreement which is expected to increase trading opportunities for UK shipping lines in China and the Far East. The accord will end discriminatory fees at Chinese ports, providing a big saving for larger container vessels.

Britain does not normally sign bilateral agreements of this type and only has shipping accords with the former Soviet Union and South Korea. But China places great emphasis on shipping agreements. It has signed them with 46 countries, including Germany, France and the Netherlands. These deals were increasingly placing British lines at a competitive disadvantage.

UK shipping lines will be permitted to open branch offices in China and to market their own services. They will gain access to Chinese cargoes and Chinese ports on the same basis as other foreign lines and administrative formalities will be clarified. *Charles Batchelor, Transport Correspondent*

India steps up export of gems

India's gem and jewellery industry had a record year for exports in 1995-96. The $5.4bn figure, up 15.8 per cent on sales of $4.7bn a year earlier, represented almost a fifth of the country's total foreign exchange earnings for the year, according to figures from the Gem and Jewellery Export Promotion Council.

Diamond exports worth $4.7bn accounted for 86 per cent of all exports from the sector, sustaining India's position as one of the world's leading exporters of small, cut diamonds. Cheap labour has led to the growth – notably in western Indian states – of companies specialising in the cutting and polishing of small gemstones for use in lower priced jewellery.

Most rough stones are imported to India, through De Beers in the UK, and the council said the diamond sector's exports were worth $1.4bn more than imports in 1995-96, a rise of 15.2 per cent on a year earlier.

Exports of gold jewellery rose by 16.8 per cent to $587m. This was well below the target of $625m, and was blamed by the council on impediments in the import of coloured stones and "erratic" gold supplies. However, finished jewellery exports are expected to increase further in the next few years as several of India's biggest diamond cutting houses shift towards designing and manufacturing their own finished products. *Mark Nicholson, New Delhi*

EBRD loan to save port

The European Bank for Reconstruction and Development is lending $54m to Kazakhstan to rescue its only large port, Aktau, from flooding by the rising Caspian Sea.

The loan, the bank's first long-term credit to the country, will finance construction of a new 400 metre quay wall, two metres higher than the existing one. The bank said its funding should also pay for upgrading and replacement of the port's utilities, which have been damaged by flooding. This should enable the port to handle smaller commercial loads as well as large-scale commodity cargo.

The port is key to Kazakhstan's plans to increase oil exports by tanker, as an alternative to the restricted Russian pipeline network. Kazakhstan is negotiating with Iran for oil deliveries that could be swapped for Iranian oil at the Gulf, and might deliver oil to a future pipeline that would link Azerbaijan's oil fields to ports in Turkey. The EBRD loan is tied to a commitment by the Kazakh government to spend an extra $20m on the port. *Sander Thoenes, Almaty*

AlliedSignal in China ventures

AlliedSignal, the US automotive-to-aerospace multinational, has formed two joint ventures with a Chinese partner to produce industrial polyester fabric and fibres, for use mainly in motor vehicles. It will have operational control of both ventures with Kaiping Polyester Enterprise.

Kaiping, one of China's largest chemical fibre companies, has annual sales around $440m. AlliedSignal gave no clue to the size of its investment but will take a 70 per cent interest in existing Kaiping production facilities in Guangdong province, some 125 miles from Hong Kong. *John Griffiths*

WTO close to deal on telecoms liberalisation

By Frances Williams in Geneva and Guy de Jonquières in Singapore

Hopes grew yesterday that World Trade Organisation negotiators will reach a deal on liberalising the world's $513bn-a-year telecommunications market by Tuesday's deadline.

In Geneva, trade officials said there had been a flurry of new and improved offers in the past few days, with indications of more to come. Meanwhile, negotiators yesterday approved regulatory guidelines outlawing anti-competitive practices by dominant carriers that will underpin moves to open telecoms markets to foreign companies.

"I'm optimistic," said Mr Neil McMillan, the British official chairing the talks. "Time is short but there's a good chance of a deal."

Most negotiators expect the 52-nation talks to continue right up to the deadline. The European Union may call an emergency council of ministers in Geneva on Monday to endorse any final improvements in its liberalisation offer. These are expected to centre on relaxing foreign ownership restrictions in France, Belgium, Spain and Portugal.

In the past few days Argentina, Morocco, Thailand and Pakistan have tabled offers, bringing the total to 30, including the 15-nation EU. Colombia and Iceland are expected to do so shortly. Trade diplomats said they hoped the offer by Pakistan would encourage India to follow suit, despite the uncertainty caused by its general election next week.

Others are working on improved proposals, including Mexico, South Korea and all four members of the Quad group of leading traders – the US, the EU, Japan and Canada – following their talks in Kobe, Japan, last weekend.

The European Union yesterday blocked moves to obtain a World Trade Organisation dispute panel ruling on charges by the US and four Latin American banana producers that its banana import regime violates fair trade rules, writes Frances Williams in Geneva.

Brussels says consultations are continuing on the long-running dispute with the US, Guatemala, Ecuador, Honduras and Mexico. Under WTO procedures a panel must be established at the second time of asking, expected to be at the next meeting of the WTO's dispute settlement body on May 8. The EU operates a quota system for bananas that favours former colonies in Africa, the Caribbean and the Pacific at the expense of so-called "dollar" bananas from Latin America, where US companies such as Dole and Chiquita have big investments.

Two panels set up under Gatt, the WTO's predecessor, ruled against Brussels but the findings could not be enforced under Gatt's weaker dispute settlement rules.

Adding to the optimism was yesterday's announcement by Singapore that it would end its telecoms monopoly in 2002, five years ahead of schedule.

Sir Leon Brittan, Europe's trade commissioner, in Singapore for a world trade conference, said the announcement would "certainly act as a catalyst" for movement by other Asian governments, while Mr Jeff Lang, the chief US negotiator, hoped they would now find it easier to make fresh offers.

Mr Lang reinforced the positive mood by saying he was now starting to discern the outline of a deal involving the "critical mass" of countries which Washington has said must participate if the US is to keep its own negotiating offer on the table. However, he stressed that this critical mass had not yet been achieved.

Singapore's decision, announced by Mr Go Chok Tong, its prime minister, is particularly important because the negotiating stance of east Asian economies is now emerging as one of the most crucial issues in the talks.

Both Sir Leon and Mr Lang have made intensive high-level efforts in the past few days to persuade them to move. Sir Leon, who visited Indonesia earlier this week, said he had been given "indications but not promises" that it would adopt a more flexible stance.

In Geneva, Quad trade officials were said to be near agreement yesterday on ways of curbing "free-riding" on international networks that would ensure the full inclusion of international as well as domestic services in the telecoms accord. The discussions centre on the conditions under which international lines could be leased for resale.

Washington had suggested that international services might be excluded from any agreement or liberalisation delayed to prevent monopoly operators at one end of the international connection taking unfair advantage of cheap rates offered at the other end.

However, negotiators also warned yesterday that an apparent attempt by the US to restrict competition in its emerging market for satellite personal communications systems could pose an eleventh-hour obstacle in the talks. The companies involved – Iridium, Globalstar and Teledesic – say the curbs are needed to protect their billion-dollar satellite investments.

WTO chief wants regional groups to wind down external barriers

Ruggiero urges global free trade

By Guy de Jonquières in Singapore

Mr Renato Ruggiero, director general of the World Trade Organisation, yesterday urged regional economic groupings to aim for the creation of a global free trade area by moving to abolish all their barriers to trade with non-members.

"We have to work from now on in order to be sure that "big" regionalism and the multilateral system will converge, so that at the end of the process we will have one global free trade area," he told a world trade conference in Singapore.

Mr Ruggiero said that unless regional groupings accepted that objective, the world would be divided in 20 years' time into two or three intercontinental blocs, each with its own rules and internal free trade but with external barriers against the rest of the world.

"I leave you to imagine the consequences of this vision in terms of economic and political equilibrium. The problem of those who did not fit into any of the blocs would be a serious one," he said.

Mr Ruggiero said it was vital that all regional groupings respect the most favoured nation principle, a keystone of the multilateral trade system which requires countries to deal with all trading partners on the same terms.

However, almost all the more than 100 groups in existence had been granted exceptions from the most favoured nation principle by World Trade Organisation rules.

Mercosur and the Asia Pacific Economic Co-operation forum were the only groupings whose members had declared themselves in favour of a policy of "open regionalism", under which internal and external trade barriers were removed at the same rate.

The possibility of excluding trade groups from MFN obligations was out of date, Mr Ruggiero said. "Today, with the proliferation of regional groupings, the exception could become the rule, and this would risk changing completely the nature of the system," he said.

Mr Ruggiero said his proposal extended to long-established groups, such as the European Union, as well as new ones. "It would be very hard to imagine that there would be one big regional area, however noble its motivation, which would not participate in a movement to open regionalism and consistency with MFN."

Mr Ruggiero's call received a guarded response from Sir Leon Brittan, the EU trade commissioner. He said regional groupings posed no threat to the multilateral system, provided they met international rules and lowered external barriers – though not necessarily by as much as between their members.

Both men responded coolly to a proposal yesterday by Dr Fred Bergsten, head of the Washington-based Institute of International Economics, that the WTO should commit itself to achieving global free trade by 2010.

Mr Ruggiero said setting a target date would be premature, while Sir Leon said it risked raising expectations too high and distracting attention from less glamorous, but essential, trade policy priorities.

Top ten regional trade groups

- North American Free Trade Agreement (Nafta) – US, Canada and Mexico. Chile next in line to join
- European Free Trade Association (Efta) – Norway, Switzerland, Iceland, Liechtenstein
- European Union (EU) – Ireland, Britain, France, Germany, Italy, Spain, Portugal, Finland, Sweden, Denmark, Luxembourg, Belgium, the Netherlands, Austria, Greece
- Asean Free Trade Area (Afta) – Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand
- Asia-Pacific Economic Co-operation (Apec) – Australia, Brunei, Malaysia, Singapore, Thailand, New Zealand, Papua New Guinea, Indonesia, the Philippines, Taiwan, Hong Kong, Japan, South Korea, China, Canada, US, Mexico, Chile
- Mercosur – Brazil, Argentina, Paraguay and Uruguay
- Southern African Development Committee (SADC): Angola, Botswana, Lesotho, Malawi, Mozambique, Mauritius, Namibia, South Africa, Swaziland, Tanzania, Swaziland, Zimbabwe
- West African Economic and Monetary Union (UEMOA) – Ivory Coast, Burkina Faso, Niger, Togo, Senegal, Benin and Mali
- South Asian Association for Regional Co-operation (SAARC) – India, Pakistan, Sri Lanka, Bangladesh, the Maldives, Bhutan and Nepal
- Andean Pact – Venezuela, Colombia, Ecuador, Peru and Bolivia.

Japan's trading partners, Page 17

Ruggiero: fears split into two or three big trading blocs

China 'needs to clarify stance on entry talks'

By Guy de Jonquières

Mr Renato Ruggiero, director general of the World Trade Organisation, said yesterday that China needed to clarify its negotiating position on WTO entry by this summer if it wanted to be admitted soon.

He also warned Beijing against treating its accession talks as a political negotiation. He said success of the talks would depend on China meeting the WTO's rules and the demands of all its members, not just of one – a thinly veiled reference to Beijing's repeated complaints that the US is the only real obstacle blocking its entry.

Though Mr Ruggiero said he was offering "personal advice", and emphasised that existing WTO members also needed to negotiate in a positive manner, his remarks are the bluntest he has directed at Beijing.

Trade diplomats meeting in Singapore said they reflected his concern that China had still not fully grasped what was involved in the accession talks, and the need still to resolve a wide range of often technical issues. The diplomats said his message was also intended for Russia, which has also applied to join the WTO.

Mr Ruggiero said that the way in which China responded to requests for answers by the end of July to detailed questions about its trade policies would be very important to the future of the negotiations.

"If China really wants to improve its chances of quick WTO accession, it has to come to Geneva at the end of July prepared to give the answers and the clarification that members of the organisation have asked about its industrial policies, liberalisation of agriculture and textiles, subsidies and other fields," he said.

"China's active participation in this negotiation with a really constructive and imaginative offer will be a very important element in shortening the negotiation," he said. China must remember that the negotiations were solely about trade issues and did not involve political matters.

Though he did not mention the US by name, Mr Ruggiero said: "It is also important to understand that this isn't a negotiation with one partner but reflects the interests of all WTO members, including the developing countries."

He said China needed to make progress both in meeting the demands for improved market access by existing WTO members and in showing its readiness to accept the organisation's basic rules and disciplines.

Poland car investments in confusion zone

Policy divide puts skids under foreign companies, writes **Christopher Bobinski**

Disputes within the Polish government over tax and customs concessions are delaying a final decision on a $340m new car factory planned by General Motors of the US.

GM's investment has become a crucial part of the government's strategy towards Silesia in the south-west of the country, one of Europe's most polluted industrial conurbations that faces job losses as sectors such as coal mining and steel are restructured. Under debate is the fiscal framework under which foreign carmakers such as Fiat and Daewoo will be operating as they develop the country into an important regional vehicle producer with an annual output of around 500,000 passenger vehicles, of which a third will be exported.

Mr Klemens Scierski, the industry minister who is backing GM's requests for generous fiscal and customs tariff incentives, is at the centre of the controversy as he pushes the government to grant Special Enterprise Zone status (known by the Polish acronym of SSE) to Gliwice, the town GM favours as a location for its plant.

The SSE, which gives investors full corporate profit tax relief for 10 years and a 50 per cent tax holiday for another decade, is a new concept. Last autumn the first SSE was established on the site of the near-moribund aircraft factory at Mielec in south-eastern Poland, and no investor has as yet been approved by the government to take advantage of it.

Next month, however, the cabinet is to be asked by Mr Scierski to approve two more zones. One is in the Suwalki region in the north-east where unemployment is more than twice the national average of 14 per cent. The other in Silesia is to be split into four subzones, in Gliwice, Tychy, Zory and Dabrowa Gornicza. Unemployment is lower than the national average but this is set to change once programmes restructuring the area's heavy industries get under way.

"The area is a time bomb," says Mr Tadeusz Soroka, a deputy industry minister and chief government negotiator with GM and other companies. Mr Soroka argues that investors such as GM must be attracted to the area if other foreign-owned projects are to follow and to create desperately needed new jobs.

Meanwhile Mr Grzegorz Kolodko, the finance minister, who is committed to a policy of squeezing the budget deficit from the 2.8 per cent of gross domestic product this year to below 2 per cent by the end of the century, is appalled at the implications of granting corporate tax relief for 20 years and setting a precedent other car companies will want to follow.

Initial skirmishing between the finance and industry ministries starts this week at a meeting of the government's lowly subcommittee on regional policy and rural areas which is the first government body to be asked to approve the two new SSEs. However, the significance of the investment to Silesia means that Mr Kolodko's opposition is likely to be overruled and GM will get its SSE status, which is the most generous set of incentives any foreign manufacturer has had to date.

The decision will, however, come too late for work on the plant to start in the spring as hoped.

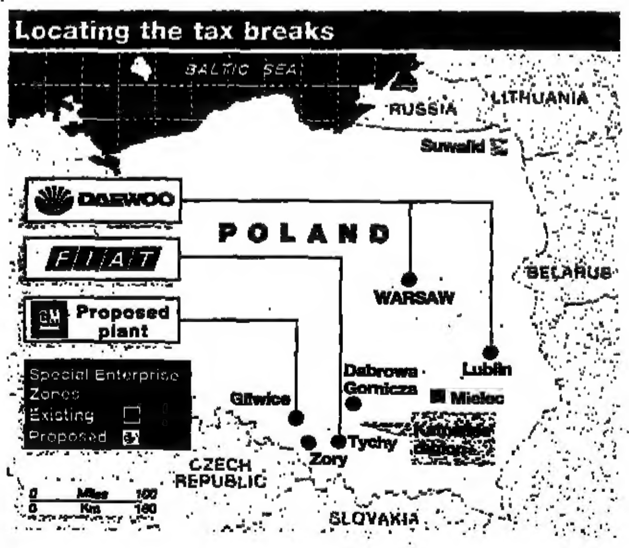
A positive decision on GM will mean that Fiat, which three years ago took over the state-owned FSM car plant in Tychy, which produced Fiat vehicles under licence, could soon be asking for similar tax concessions. Indeed its original takeover agreement in 1992 commits the Poles to match any incentives given to subsequent motor industry investors which are more generous than those granted to Fiat. Also Daewoo, the South Korean industrial conglomerate, which has made commitments to invest $1.4bn over six years in two former state-owned car plants in Lublin in eastern Poland and in Warsaw, could be the next in line.

Now Fiat's tax concessions are beginning to look meagre compared with the incentives offered by an SSE. Its financial commitment has been substantial: on top of its direct investments in FSM worth $375m it took over the state-owned company's debts totalling $720m. Now the company says it will be investing a further $800m by 2002 in the new Palio car which will also be produced in Poland.

Mr Soroka's expected response to Fiat's protestations is to suggest that they expand their operations into the proposed Tychy SSE which is only a stone's throw away from the FSM plant. Daewoo, in Warsaw and Lublin, is much further from one of the SSEs. However a Daewoo-owned components manufacturer at Elk is close to the proposed Suwalki SSE in the north-east, providing some opportunity for relief.

But for the finance ministry this smacks too much of the beginning of a move to turn the entire country into one large special enterprise zone with dire consequences for state revenues.

Locating the tax breaks



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Little sign of progress towards ceasefire as US secretary of state meets Syrian and Lebanese leaders

US peace shuttle switches to Lebanon

By David Gardner in Beirut and Julian Ozanne in Jerusalem

US secretary of state Warren Christopher's Middle East peace shuttle detoured into Lebanon last night, expanding Washington's efforts to end fighting between Israel and pro-Iranian Hizbollah guerrillas in southern Lebanon, where Israeli forces yesterday continued their two week-long air and artillery bombardment and the Shia Moslem militia fired Katyusha rockets at northern Israel.

Mr Christopher went to meet Lebanese prime minister Rafik al-Hariri in Shtoura, a short hop over the Lebanon-Syria border from Damascus, where earlier in the day the secretary of state had met Syrian President Hafez al Assad.

The meeting cast the spotlight on the main differences between Israel on the one hand and Lebanon and Syria – the military power in Lebanon – on the other. The US plan, backed by Israel, seeks a deal whereby Hizbollah resistance to the 14-year Israeli occupation of south Lebanon would end. This is unacceptable to Beirut, to Damascus, and to Iran, which gives Hizbollah financial and ideological backing.

They prefer a French initiative, which would tighten a US-brokered 1993 agreement whereby Israel and Hizbollah undertook to avoid targeting civilians, and would put eventual Israeli withdrawal from Lebanon on the agenda. French foreign minister Mr Hervé de Charette met Syrian officials in Damascus yesterday, and also held talks with Iranian foreign minister Ali Akbar Velyati.

Mr Walid Jumblatt, the Lebanese Druze leader who is now minister for the displaced in Mr Hariri's government, said: "The Israelis want a truce, but what we want is a ceasefire, so that people can go back to their homes."

Mr Christopher said before meeting Mr Assad yesterday that "the time has come to reach a conclusion." The Syrian president on Tuesday night did not receive the US secretary of state, because of what was being presented by both sides yesterday as a timetabling problem, but was seen at the time as a snub, and celebrated as such in the regional Arab press.

The state department spokesman Mr Nicholas Burns reported progress after the Damascus meeting and said: "I think we will succeed."

Warren Christopher, left, with Syrian foreign minister Farouq al-Shara at Damascus airport yesterday before his delayed meeting with President Assad Reuter

France's mediation, however, is getting growing support throughout the Arab world, where even governments which have made peace with Israel like Egypt and Jordan feel Washington has compromised its role as honest broker by pushing for Israeli objectives in an operation which has caused public outrage in the region.

Hizbollah portraits peer from rubble of Nabatiyeh

David Gardner witnesses the eerie results of Israel's air and artillery bombardment in south Lebanon

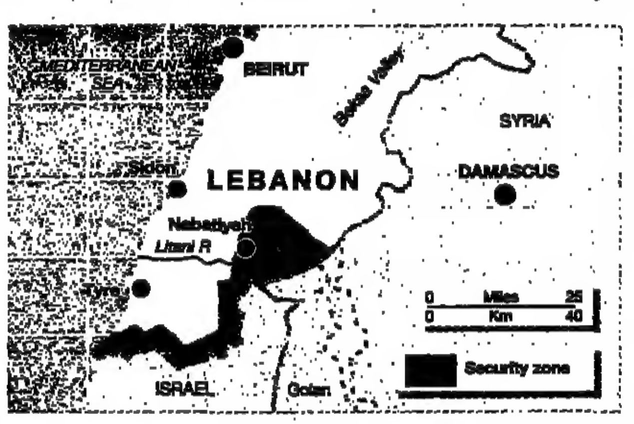
Early yesterday, Israel's radio told Lebanese civilians that 22 towns and villages would be targeted on the 14th day of its air and artillery bombardment of south Lebanon. One of them was Nabatiyeh.

With a population of 80,000, Nabatiyeh is the *de facto* capital of predominantly Shia Moslem south Lebanon. Last Thursday, on the day Israeli howitzers killed more than 100 civilians in the United Nations refugee shelter in Qana, this normally prosperous market town had its own tragedy. Israeli jets fired rockets into the house of Hassan Alayan el-Aabed, killing his wife Fawzie and her seven children; the youngest, Nour, was three days old. Mr el-Aabed was on a pilgrimage to Mecca.

Most of Nabatiyeh's people had fled northwards on April 11, when Israel started its onslaught, supposedly aimed at Hizbollah, the Shia fundamentalist militia fighting the 14-year Israeli occupation of south Lebanon. But the 155 deaths, many hundreds of injured and 400,000 refugees have almost all been civilians.

Last Thursday's deaths sent many more north. Abandoned laundry on washing lines and rotting fruit and vegetables on overturned market stalls was testimony to their hasty departure. The town is eerily empty, shaking under the shells fired in desultory sequence from Israeli positions on surrounding ridges.

Near the centre, there is a big memorial portrait of Nabatiyeh's favourite son, the late Hassan Kamel Sabah, a brilliant American-Lebanese electronics inventor. Nearby, the Celltec computer shop has been reduced to matchwood by a 155mm shell. From Celltec's ruins, the propaganda portraits of Hizbollah's sheikhs and "martyrs" – the suicide bombers it is again threatening



to launch against Israeli occupation forces – seem to stand larger than that of the inventor.

Mr Amin Bakhdoud, a 65-year-old restaurateur, is one of the few townspeople still in Nabatiyeh. "If I'm going to die, I shall die here, in my home, in my country," he says.

The locals are used to being driven out of their homes: after Israel's 1978 incursion, its 1982 invasion, and withdrawal by 1985 in the face of determined resistance from Shia militias, and its 1993 air blitz. But although sporadic Israeli bombing and shelling had continued in response to Hizbollah attacks, the last two years have seen a construction boom in Nabatiyeh, and indeed in other areas of the south.

When Mr Rafik al-Hariri took over as Lebanese prime minister in October 1992, he made the reconstruction of the country after the 1975-90 civil war – in which Israel intervened with the aim of driving the Palestine Liberation Organisation out of Lebanon – his main aim. The people of Nabatiyeh gradually felt enough confidence to join him.

A third or more of the town's homes and buildings are either new or under construction. The money comes mostly from Lebanese emigrant businessmen in west Africa, who are predominantly Shia. Remittances like theirs form the bulk of last year's $6.7bn capital flow into Lebanon, after a similar inflow of $6.5bn in 1994.

It is this diaspora money which pays the import bill for reconstruction – a bill which will rise after Israel's deliberate destruction of reservoirs, water pipelines, power stations and roads in the past two weeks. And, of course, homes. While the bombing continues, it is impossible to know for sure, but the government estimates 60 Shia villages in the south have been obliterated.

Government officials and businessmen fear these vital capital inflows will slow to a trickle unless negotiations to end the crisis offer clear guarantees that the cycle of destruction will end once and for all.

A Christian businessman, who returned to live in Lebanon four months ago after working in the US and Saudi Arabia throughout Lebanon's wars, summarises it thus: "If people before thought twice about coming back or putting their money in Lebanon, after this they're going to think 10 times."

Climate report 'is deficient'

By David Lascelles, Resources Editor

The world energy industry has warned governments not to accept the recommendations of a forthcoming report on global warming because they are based on shaky evidence and could damage economic growth.

In a pre-emptive strike ahead of the publication of a detailed set of recommendations by the Intergovernmental Panel on Climate Change, the World Energy Council yesterday described the forthcoming report as deficient and of little value to policymakers.

Mr John Baker, chairman of National Power, the UK's largest electricity generator, and chairman of the WEC, said: "It is very disappointing that the impressive international effort mobilised to produce [this report] has resulted in a missed opportunity to help policymakers develop realistic strategies for the possible climate change issue."

The IPCC, consisting of leading experts on climate and the environment, was established by governments to advise them on policy to combat global warming. It will be publishing its main conclusions in June calling for urgent action on a wide front to reduce greenhouse gases which are believed to be altering the world's climate. These conclusions will be based on its central finding that there is a discernible human influence on climate.

The WEC, which represents the energy industries of more than 100 countries, said in a report issued yesterday that the IPCC's recommendations are unrealistic and influenced by academics seeking to attract funding for their work. Instead, the WEC wants a more "balanced" approach with an emphasis on energy efficiency, conservation, and development of renewable energy forms, all of which are worth pursuing even if global warming turned out to be a false threat, it believes.

The WEC's attack is certain to cause a furore among environmentalists who are pressing for action to combat global warming. The timing of the attack, ahead of the report's publication, is also likely to anger governments which are trying to encourage an orderly debate about the policies to be adopted to reduce greenhouse gases.

Power diplomacy is back, says report

The US return to global leadership, the peace deal in Bosnia and the crisis over Taiwan show that old-fashioned power diplomacy is back with a vengeance, according to a report published yesterday, Reuter reports from London.

The International Institute for Strategic Studies (IISS) said a new willingness to use or threaten force in support of national goals was emerging after a period of post-Cold War "strategic arthritis".

"A striking feature of the year was the tribute paid to the 19th century concept of balance of power," Mr John Chipman, IISS director, told a news conference to launch the institute's annual survey for 1995.

After the confusing period following the end of the Cold War, the report said it was becoming clearer that raw power still had a significant role to play in diplomacy.

"There is a return to a form of *Realpolitik* in today's international relations," Mr Chipman said. US and Nato willingness to use force in the Balkans to achieve a peace deal, Russia's more assertive and nationalist foreign policy, China's sabre-rattling over Taiwan and the US naval deployment were examples.

Looking at the Middle East and other areas, the IISS said the continued threat from groups of the weak or disaffected who launch terror campaigns was still capable of crippling efforts of major nations.

SATELLITE TELEVISION

Media barons line up for digital star wars

Bronwen Maddox and **Raymond Snoddy** report on what could be a winner-takes-all battle for pay-TV dominance in Europe

Europe's digital TV revolution kicks off in earnest later this month when Canal Plus, the French pay-TV company, switches on 20 new channels. Within a few years, *thousands* of new satellite channels could be beamed over Europe. The world's media barons are striking deals by the week as they jostle for position.

Pay-TV – charging for channels – has revolutionised the economics of television. New technology and deregulation allow TV companies to raise revenues directly from viewers. That frees the industry from its traditional dependence on advertising, which has shackled its growth. It also allows channels with *small audiences, incapable of attracting* much advertising, to be profitable.

Conventional pay-TV services, transmitted on analogue signals, have already proved a gold mine for Canal Plus, the UK's BSkyB and the Netherlands' NetHold. The digital explosion has now multiplied pay-TV's potential, to an extent which other media groups have been *unable to resist.*

Some companies argue that the proliferation of outlets will make TV more like publishing, in which mass-market companies exist alongside specialist ones. Others – particularly the bigger players – believe pay-TV can be a "winner-takes-all" market.

Securing a supply of exclusive program*ming, or owning the dominant technology* for scrambling channels, could give one group a degree of market power hard to challenge, even through regulation. The expense and urgency of the attempt to build such power has prompted the Europe-wide scramble for partners who will contribute programming or technology, and minimise the risks.

For governments and regulators the changes pose dilemmas. Governments want to encourage investment in the digital revolution, and yet prevent companies accumulating too much market power. Some want to maintain public service *broadcasting*, but not undermine the commercial market. They have a brief window to debate such questions, before winners start to emerge from Europe's pay-TV wars.

The revolution that could bring viewers 1,800 new channels

In the digital race, some start ahead of others. Three companies already dominate Europe's conventional pay-TV. In the UK, BSkyB, 40 per cent owned by Mr Rupert Murdoch's News Corporation, is the leader. According to the Independent Television Commission, the regulator, in 1994 BSkyB had more than 90 per cent of TV subscriptions, through satellite and cable distribution.

The French Canal Plus has built a business worth some £3bn from its subscription channel broadcast over land-based transmitters. It has capitalised on its strength in its home market by investing in minority stakes in Belgian, Spanish and Polish pay-TV, in co-operation with local TV companies. NetHold, the Netherlands-based service, 50 per cent owned by the Swiss group Richemont, transmits its MultiChoice and FilmNet channels, including adult films, through much of northern Europe.

Although almost every European country has access to at least one pay-TV service, the popularity varies widely.

According to Morgan Stanley, the US broking house, pay-TV subscribers expressed as a percentage of TV households range from just 3 per cent in Germany to 13 per cent in the UK and 19 per cent in France. And although the average European viewer watched around 177 minutes of TV each day last year only one minute of viewing time was devoted to each of the cable and satellite channels available.

Against the lucrative but unspectacular backdrop of conventional pay-TV, the digital revolution has been kicked into life by two developments: deregulation of the TV industry in many European countries, allowing the launch of more channels, and the emergence of digital transmission and encryption technology.

Digital compression of signals allows many more channels to be transmitted in a given band of airwave frequencies than does conventional analogue transmission. Analysts estimate that the cost of transmission is set to fall by about 90 per cent. At present, a satellite transponder – which receives the signal from earth and re-transmits it – costs about $3m (£1.96m) a year to lease, and provides one TV channel. Digital compression, which transmits only the digits which change between one TV picture frame and the next, enables a single transponder to transmit between eight and 10 channels, depending on the picture quality required.

Dramatic expansion

Satellite owners are hoping that the fall in the cost of transmitting a single channel will push up the value of a transponder. They are shooting a host of new satellites into orbit. During the night of April 9, SES, the Luxembourg-based company which operates the Astra system of satellites, successfully launched its second entirely digital satellite. The satellite, which will be in service within two months, will give Astra a total of 40 transponders devoted to digital TV.

SES is due to launch a third Astra digital satellite in the first quarter of next year, taking its digital transponder total to 56. It will then have the capacity to broadcast between 500 and 560 channels over Europe. It says that almost all the capacity is already leased or is the subject of "advanced negotiations". It plans a fourth launch before the end of 1997. And Mr Romain Bausch, SES's director general, revealed recently that the company, with the support of the Luxembourg government, has applied for new orbital positions to launch even more.

At the same time Eutelsat, owned by Europe's main telecoms operators, is pushing ahead with its series of "Hot Bird" satellites. By the end of the century, it says, it could offer 800-1,000 digital channels. Ms Rebecca Winnington-Ingram, media analyst at Morgan Stanley, says the digital age "has dawned and that's official: regardless of demand, the number of TV channels available to European viewers is set to increase to thousands over the next three years".

What will services be?

If digital is to fulfil investors' expectations, it will have to offer more than existing cable and satellite services. Viewers will have to pay not just for the channels, but for a decoder attached to their TV set, and for a satellite dish or cable connection if they do not have one.

Media groups are hoping that enhanced services made possible by digital technology will clinch its appeal. Their strongest weapon is "near-video-on-demand", which shows the same film on different channels with staggered starts, perhaps only 15 minutes apart.

The evidence from pioneers of this service, such as DirecTV, a 175-channel system in the US and a subsidiary of Hughes Aircraft Company, suggests that it has great appeal. According to SBC Warburg, the London-based broker, the subscription rates for this service are five to six times higher than on cable, and generate average revenues of $17 a month. The performance, even at this early stage, seemed so impressive to AT&T, the largest US telecoms group, that it paid $137.5m for a 2.5 per cent stake earlier this year, with an option to raise this to 30 per cent.

Electronic games, computer software and telephony can also be transmitted on the new channels. Canal Plus hopes that its Numerique service will eventually transform living rooms into "interactive leisure and entertainment centres".

But is it a business?

Mr Alastair Smellie of Lehman Brothers, the broking house, identifies four ingredients for a successful pay-TV operation:

- Attractive, preferably exclusive programming.
- An encryption system, and corresponding decoding software in set-top black boxes.
- A system for sending out decoder cards and subscription bills, including creditworthiness checks.
- Outlets, whether satellite, cable, or terrestrial transmitters.

Of these, programming and encryption technology offer new entrants the best chance of establishing significant market power.

Sport is generally agreed to have the most powerful "must-watch" element of all types of programming: BSkyB and Canal Plus have invested heavily in sports rights internationally. BSkyB's recent showing of the Tyson-Bruno fight suggests that Mr Murdoch and Canal Plus are right about the appeal of some sport: more than 650,000 homes paid a minimum of £9.95 to watch the event at 5 am.

Control of an encryption system, as BSkyB has demonstrated in the UK, can turn a strong position in programming into a convincingly dominant one. Once it established its encryption and decoding system as the standard, and households with satellite dishes had also bought its decoder boxes to sit on their TV sets, other companies launching satellite channels were faced with the choice of paying to use this system or establishing their own. They would have to persuade viewers to buy additional decoder boxes, and also set up a separate billing system; sending out decoder cards and bills alone can cost tens of millions of pounds a year.

Runners and riders

In spite of the cost and uncertainty, Europe's main players see digital pay-TV as a gold rush. They have been forming alliances to maximise clout in buying programme rights, to share encryption technology, and to spread the financial risk.

The most dramatic tussle has occurred in Germany, potentially one of the most valuable markets. Last month, BSkyB, Canal Plus and Bertelsmann, the German-owned international media group, teamed up to launch German digital services. Weeks later CLT, the Luxembourg-based international TV company, entered the magic circle by agreeing to merge its TV operations with those of Bertelsmann.

Between them, the partners control 25 transponders and could launch 200-250 channels aimed at the German market this autumn. But they have a rival. The Munich-based Kirch group plans to launch a 50-channel digital service in July, including 10 film channels.

The battle is already looking expensive, even before launch. The Canal Plus-BSkyB-Bertelsmann alliance can deploy top German football and the output from Rupert Murdoch's Twentieth Century Fox studios and Fox Television Network out of its own resources, but it is also expected to invest more in buying access to programming from Time Warner, MCA and Columbia.

For Kirch's part, it has built its powerful position in continental Europe by buying rights to Hollywood movies years ago, on terms which were cheap by today's standards. But analysts point out that many rights are now expiring, and that studios, now alert to the potential of the European market, will *never again offer rights so cheaply.*

To strengthen its position, Kirch has recently signed a five-year programming deal with Viacom, the US media giant. Viacom owns Paramount Pictures and cable and satellite channels such as MTV and Nickelodean, the children's channel. Its channels are expected to form part of the Kirch package.

A head-on clash between rival libraries of programming, and between services launched virtually at the same time, means the battle may be prolonged and rewards elusive. Ms Winnington-Ingrim points to the slow progress made by Premiere, the main German pay channel. She thinks the German market is going to prove "much tougher" for pay-per-view than either France or the UK.

In respect of France, that judgment may prove right. Canal Plus has its home turf uncontested. Mr Pierre Lescure, chief executive, says it will invest FFr500m ($94.9m) in digital TV in France over the next three years.

It is relying on sport to help drive subscription to its new 20-channel package, Canalsatellite Numerique, to be switched on later this month. As well as the familiar selection of sport, news, documentaries and entertainment, available for a monthly fee of FFr98, Numerique will enable viewers to watch all nine French first division football matches played each week. For FFr50 the viewer will be able to see one match; for FFr100 all the matches. For another FFr50 a month, electronic games and software can be delivered direct to subscribers' personal computers.

Canal Plus has ordered 400,000 digital decoders and hopes for between 150,000 and 200,000 Numerique subscribers by the end of this year. Even more ambitiously, it hopes to have 65 per cent of the French market within a decade.

However, in the UK, the progress of digital remains distinctly unpredictable. So far, the complexity, the dominant position of BSkyB in conventional pay-TV and the strength of terrestrial channels, have deterred the main players in the continental European market from entering the UK.

More surprisingly, uncertainty also seems to have restrained the leading contender. BSkyB has drawn up plans for a 200-channel digital satellite service, but seems likely to hold back until at least the autumn of 1997.

In part, that may be because it is unsure of the extent of its programme resources; its five-year, £304m deal with the Football Association Premier League runs out at the end of next season. Two groups are considering challenging it for the rights – Carlton Communications with the Mirror Group and Pearson, owners of the Financial Times, and MAI, broadcasting and financial services group, which is in the process of merging with United News and Media, publishers of the Daily Express.

The UK government has been keen to promote digital terrestrial TV although other European countries, with the exception of Sweden, have shown little interest. However, there is widespread scepticism within the UK that digital terrestrial would be commercially viable.

A central factor in its success would be whether its decoding technology was compatible with that of BSkyB's proposed digital satellite services.

But the main reason for BSkyB's restraint seems to be that it is waiting until the broadcasting bill has completed its passage through Parliament. The political sensitivity of its expansion plans stems from its grip on conventional pay-TV, as well as News Corporation's share of the newspaper market.

In the UK, BSkyB's rivals say not enough is being done to prevent it acquiring the same power in digital. "It is perfectly possible to devise digital encryption technology without building in proprietary software. But it is in BSkyB's interests to stuff the design with as much of its own software as possible to make it hard for others to get access," says one adviser to a cable company.

The last corner of the pay-TV battleground is Italy. The Canal Plus-BSkyB-Bertelsmann alliance is planning an offensive on the Italian market after the German launch. It will face familiar rivals, however. NetHold and Kirch have stakes in the existing pay-TV channel Telepiu, which is backed by Mediaset, the TV arm of Mr Silvio Berlusconi's Fininvest. But Italian cable and *satellite television is still in its* infancy. The success of the rival players is likely to be slow to develop, and to depend partly on battles for supremacy fought first in other European countries.

Regulation

Even though the winners and losers remain unclear, the new alliances present serious issues of regulation, and more generally, of national policy. First, there are concerns about *attempts to corner entire strands of* programming, such as sporting rights, and about the pressures such attempts put on state or public service broadcasters. Second, there are growing worries about how best to tackle the now-acknowledged threat of monopoly control of encryption technology.

All the recent deals will be looked at closely by Mr Karel van Miert, the European Union's competition commissioner. The internal market directorate is also expected to produce a report on media concentration later this year.

On programming and distribution, Mr van Miert has shown himself prepared to take a tough stand in heading off potential abuses of market power. In 1994 he blocked a proposed alliance in the German market between Bertelsmann, Kirch and the state telephony monopoly Deutsche Telekom. A Dutch TV venture, grouping the RTL4 and RTL5 channels with the new commercial channel Veronica, was also blocked on the grounds that it would limit opportunities for competition in the Dutch TV market.

European and national programme authorities have also recently shown willingness to protect the position of existing broadcasters from the wallets of the pay-TV operators. The European Broadcasting Union, which buys sports rights on behalf of all Europe's public service broadcasters, won the European rights to all the Olympics to the year 2008, despite being outbid by a Murdoch-led consortium. In the UK, a House of Lords rebellion persuaded the government to protect eight sports events such as the FA Cup Final and Wimbledon tennis for terrestrial TV.

As preventative measures go, those may be adequate. But the experience of cable companies in the UK shows that it may be hard to prevent exercise of market power once acquired. They have complained to the UK's Office of Fair Trading that the terms on which BSkyB sells them programming, for onward distribution, are unfair.

The question of proprietary rights to black box digital decoders is likely to prove even trickier. The European Commission accepts that access should be "fair, open and non-discriminatory". But it has not yet overcome the enforcement hurdle.

The outcome of these battles is not predetermined. However, the positions which BSkyB has in the UK and Canal Plus has in France, give them a formidable start in building lucrative digital services in those countries. In Germany and Italy, the battle lines are clear but the outcome undetermined.

For viewers it means they will increasingly be bombarded with offers of new technology and services, although it will be years before it is clear what kind of range is available.

It is likely that the vision of a host of specialised channels will – at least in part – be realised. As Mr Michael Tyler, managing director of Putnam Hayes Bartlett, a consultancy, argues that "television is going to become more like publishing - much more targeted programming". But what remains unclear is how wide that scope will be, and whether a few companies will be able to dominate.

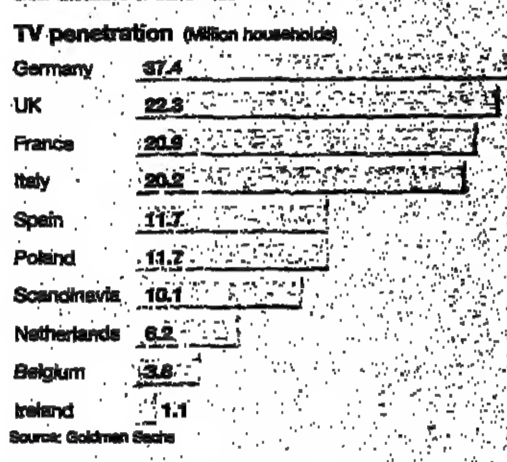
For the moment changes are slight. Public service broadcasters and state broadcasters, who have been resigned to seeing their audiences fall, appear to have a reprieve, at least temporarily.

They may also be able to participate. Mr Tyler points out that "targeted programming is something which state broadcasters, and the BBC, have been good at, as well as programmes for mass audiences."

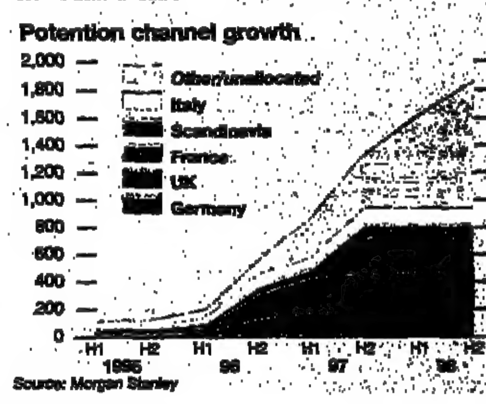
Last month Mr Will Wyatt, managing director of BBC Television argued to an EBU conference in Brussels that a decade from now existing networks would still offer most viewers what they wanted for most of the time. Two years ago the BBC feared its share of viewing would fall to 30 per cent by the year 2000. The forecast has now been revised upwards to between 37 per cent and 38 per cent. "Terrestrial channels will still retain the highest share of the audience - probably close to 60 per cent to 65 per cent - by 2005," says Mr Wyatt.

That is not just brave talk. Some groups are likely eventually to make a fortune from the digital revolution. But the obstacles currently in the path of digital pay-TV, and the time needed for clear winners to emerge, may mean that the picture changes more slowly than Europe's media moguls would like.

Pierre Lescure, chief executive of Canal Plus; Rupert Murdoch, News Corporation; Leo Kirch; Michael Dornemann, Bertelsmann director responsible for TV



Source: Goldman Sachs



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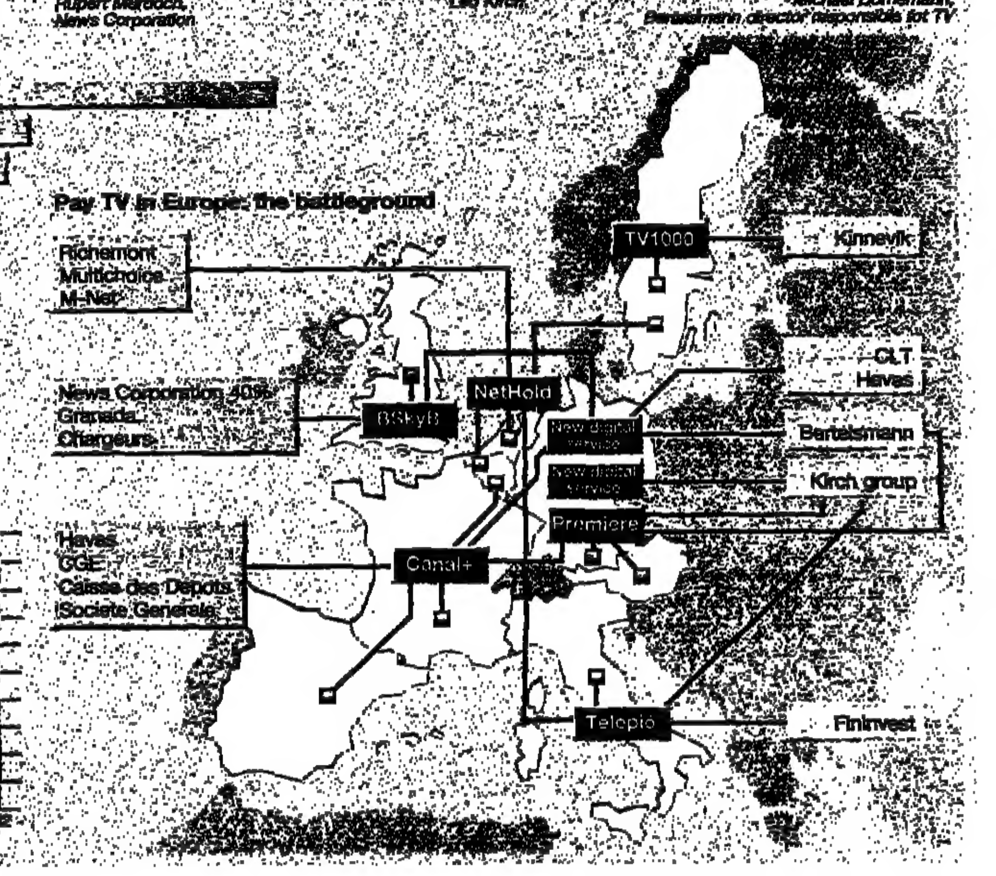

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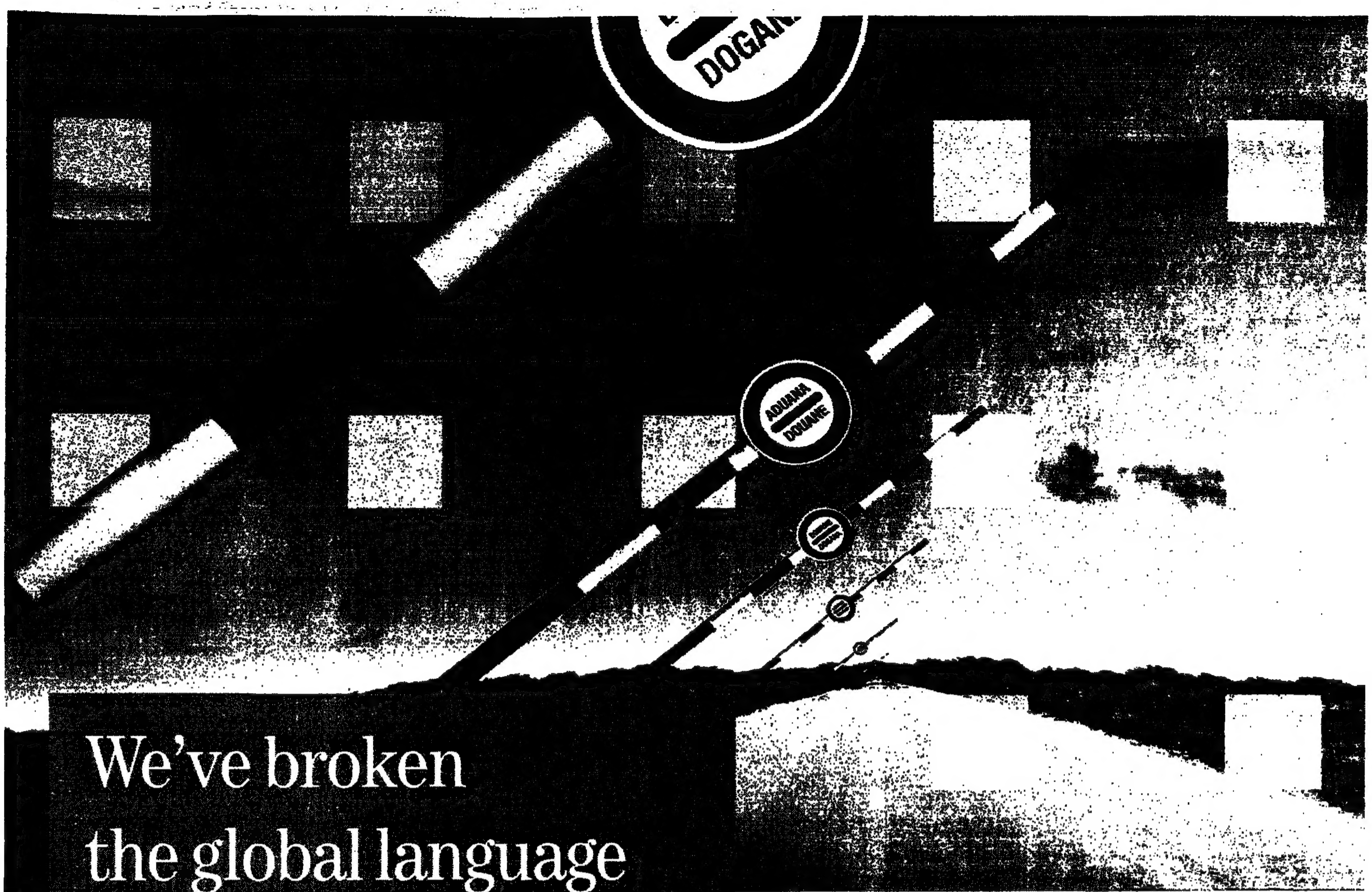

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Sinn Féin and SDLP to join in elections

By John Kampfner, Chief Political Correspondent

The Northern Ireland peace process was given a boost yesterday when Sinn Féin, the political wing of the IRA, and the moderate nationalist Social Democratic and Labour party said they would contest next month's elections to a constitutional forum.

However, the announcements were tempered by a hardline message from Mr Martin McGuinness, Sinn Féin's chief negotiator, that there was "no prospect whatsoever" of the IRA restoring its ceasefire.

The decision to take part in the May 30 elections came shortly after passage through the House of Commons, the UK parliament's lower house, of a bill setting out the rules for such a poll. The elections are to be followed by all-party talks on June 10.

Mr Gerry Adams, the Sinn Féin president, said the elections would allow his party to "seek a re-endorsement of our peace strategy and to return a strong republican and nationalist voice, which makes it clear that there is no going back to unionist domination".

He reiterated that Sinn Féin would not take part in the 110-strong forum. The SDLP's chief whip, Mr Eddie McGrady, said his party had yet to decide whether to join the forum.

British ministers conceded during a two-day debate that the forum would meet only after the all-party negotiations had begun. This was a key demand of the SDLP which, like Sinn Féin, regards the forum as an obstacle to the talks and an attempt by Unionists to resurrect the failed Stormont parliaments of the 1970s and 1980s. Downing Street welcomed the participation by the two parties. the

The UK government, supported by Washington and Dublin, has told Sinn Féin it cannot take part in the talks unless the IRA restores the ceasefire. Mr McGuinness said the IRA campaign would continue as long as the British impose conditions on Sinn Féin's participation in talks.

Major speaks out for EU membership

By Robert Peston, Michael Cassell and John Kampfner

Mr John Major, the UK prime minister, yesterday described proponents of withdrawal from the European Union as living in "cloud cuckoo land", in his most pro-European speech for two years.

In an attempt to head off a campaign by rightwing Conservative members of parliament, backed by media supporters, for a referendum on the UK remaining in the EU, he extolled virtues of membership. It was "naive and damaging" to suggest that "the only choice we face is either to go along with every demand our partners make or head for the exit". Inward investment in the UK would be decimated by leaving, he told the Institute of Directors in London.

His remarks were in part aimed at Sir James Goldsmith, the billionaire who is financing a new party, the Referendum party, which is campaigning on a need for a plebiscite on the UK's relationship with the EU.

Mr Major delivered his speech hours before Mr John Redwood, the former minister who last year sought to oust him from office, held talks with Sir James.

Mr Redwood said he had wanted the meeting to persuade Sir James not to worsen the government's plight by putting up candidates against the Conservatives at the next UK general election.

The influential Eurosceptic backbencher acknowledged that he had failed "to persuade him to back the Conservative party as the best way of achieving the kind of Europe we both want".

The 55-minute meeting, in Sir James's suite at London's Dorchester hotel, was denounced by one senior government member as "childish and disloyal".

Mr Major balanced his pro-European comments by stressing that he was a tough negotiator in EU forums, with Britain's best interests in mind. If he could not reach agreement over issues to be raised at this year's intergovernmental conference on EU institutional reform he would "just say no".

Mr Major said the UK was not seeking confrontation in Europe but that it was not "going down the centralising route" and instead sought a partnership which recognised and accommodated all national interests and beliefs.

He also made his strongest attack on EU attempts to use health and safety measures as the basis for imposing maximum working hours for employees. He had told European partners "that we must change Health and Safety provisions" to reflect the original intentions of the legislation.

He said if the EU failed to do this and "old agreements" were "broken", he "did not see how we can reach new agreements". This balancing act between pro-Europeanism and scepticism drew praise from both wings of his party.

Mrs Edwina Currie, a former minister and now vice-chairman of the cross-party European Movement and chairman of the Conservative Group for Europe, was "delighted". "The biggest cuckoo is Jimmy Goldsmith and his sidekick cuckoo is John Redwood".

The leading sceptic, Lord Tebbit, was pleased by Mr Major's "realism" which came "from his heart".

Cattle slaughter scheme outlined by government

By George Parker and Deborah Hargreaves in London and Caroline Southey in Brussels

The UK government yesterday finalised details of the selective slaughter plan it hopes will eventually lead to the lifting of the European Union ban on British beef exports.

Mr Douglas Hogg, agriculture minister, sent the European Commission proposals for the slaughter of around 42,000 cattle which he believes to be most at risk from BSE, or mad cow disease.

The development offered the first sign of a breakthrough in the crisis. An EU official said that it was "very good news indeed" if the information "represented the plan the Commission was waiting for".

He said the commission could look forward "more optimistically" to the meeting of agriculture council ministers on Monday. Last night Mr Hogg was seeking an early meeting with Mr Franz Fischler, EU agriculture commissioner, in an attempt to build a consensus between Brussels and the UK on the effectiveness of the plan.

Officials said the meeting could take place today, and would certainly happen before the EU agriculture ministers met on Monday.

The UK government has run into huge difficulties in trying to implement its scheme for slaughtering over 1.5m older dairy cows and cattle as part of its efforts to combat BSE, *Deborah Hargreaves writes*. The scheme is due to begin next week.

Wholesalers say they will not take part in the scheme at all unless the government changes the rules to pay compensation on the basis of the weight of the cattle once dead, rather than alive as is currently the case.

Farmers and meat traders are due to hold more talks with Ministry of Agriculture officials today.

The National Farmers' Union said talks so far about the scheme "had left many questions unanswered."

A UK government official said that it was hoped the scheme would start next week, "but it will be extremely difficult".

"The key priority is to get the commission on board," said one senior official last night. "We want to be able to present a joint UK/commission proposal to the council on Monday."

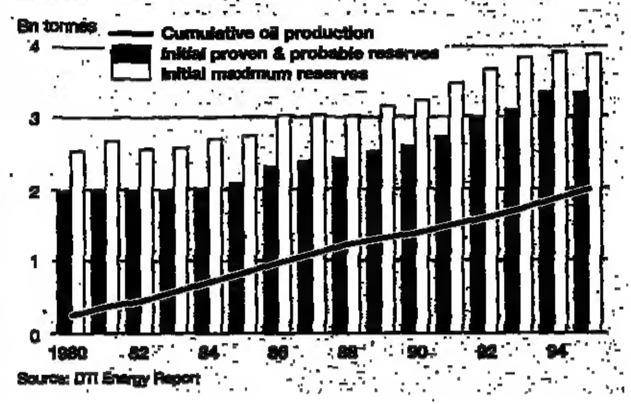
The scheme, approved by Mr John Major, the UK prime minister, yesterday afternoon, will affect around 2,000 herds. It will focus on animals originating on farms with a high incidence of BSE in the early 1990s. The proposal comes on top of a scheme, already approved by the EU, to destroy around 15,000 older dairy cows a week and an estimated 100,000 beef cattle over the age of 30 months.

Senior ministers accept it could be many months before the worldwide ban on British beef is lifted, but believe that a "step-by-step" easing of the embargo could begin at Monday's meeting.

Mr Hogg firmly believes that Mr Fischler and Mr Jacques Santer, the president of the European Commission, are on Britain's side in wanting an early end to the ban.

"If we can get Commission support for this programme of action, we can show we are on the side of the angels at the meeting on Monday," said one senior government official. Mr Major and Mr Hogg met representatives of the National Farmers Union in Downing Street yesterday morning and warned that a lifting of the beef export ban could take some time. "I am not trying to underestimate the difficulties," Mr Hogg said. "There is still a lot of persuasion to be done, and I don't want to unduly arouse expectations."

North Sea bonanza



Source: DTI Energy Report

North Sea bonanza likely to continue

By David Lascelles, Resources Editor

The UK's oil and gas bonanza in the North Sea continues to set new records, and could last until the middle of the next century, according to Mr Tim Eggar, the energy minister.

The latest official figures on the UK oil and gas industry, unveiled by Mr Eggar yesterday, showed that total oil production reached a new high of 130m tonnes last year, up from 127m tonnes the year before. New discoveries meant the volume of reserves also increased slightly to 3.3bn tonnes. Gas production at 75bn cu m was at a new high, and gas reserves rose slightly to 2.5bn cu m.

Mr Eggar said these figures confounded predictions that the UK's oil and gas industry would decline in the 1990s. It was clear the industry was flourishing and making a significant contribution to the economy. "Taking known discoveries and the potential from all possible future discoveries, our reserves could last into the middle of the next century at current rates of consumption," he said.

There are many reasons why Britain's oil boom is lasting longer than first thought. First, said Mr Eggar, the UK tax and regulatory regime made the North Sea one of the most attractive places in the world for oil companies to explore and produce. Record numbers of new exploration and drilling projects were approved last year.

In addition, the development of technology has enabled greater volumes of oil and gas to be extracted from known wells. There is also a trend for large oil companies to sell maturing fields to smaller companies which specialise in spinning out dwindling reserves.

Mr Eggar also announced yesterday an initiative to encourage companies to explore on "fallow blocks" – those on which no work had been carried out for at least six years. There were 146 fallow blocks, about a quarter of all licensed blocks.

The total income earned by oil companies in the North Sea last year was £18bn ($27bn), including £4bn from the gas sector. Their investments in the region totalled £4.2bn, representing 18 per cent of all UK industrial investment. The Department of Trade and Industry expects investment to remain at this level for a number of years as large new fields are developed.

Oil made a positive contribution of £4bn to the UK balance of payments last year. The Inland Revenue estimates that 29,000 people are employed in the offshore oil and gas industry. However, the figure has been flat or falling because oil companies are trying to reduce manpower levels as part of their overall attack on costs.

Yesterday's figures will help reinforce the government's commitment to maintaining an appealing operating environment for international oil companies.

UK NEWS DIGEST

Trading system plan faces delay

London Stock Exchange directors will meet today to decide whether to delay the issue of a blueprint for their new electronic trading system. The steering group preparing for the new order matching system will ask the Exchange board to approve a delay of several weeks so that the changes to trading rules can be discussed in more detail with regulators at the UK Treasury, the Securities and Investments Board and the Office of Fair Trading.

The board meeting comes two days after Mr John Bridgeman, the director-general of fair trading, warned the Exchange he would not allow it to drag its feet over the introduction of an order-driven trading system.

In the new system, scheduled to be introduced next year, orders will be entered on a central electronic order book, and automatically executed when buyers and sellers match. Under present rules, marketmakers quote prices on a central stock exchange screen, but deals are struck over the telephone.

Stock Exchange officials have been at pains to combat the impression that order matching is being held up by the large marketmaking companies which have a big share of the quote-driven market. *George Graham*

Banks chosen for nuclear sell-off

Seven banks were appointed yesterday to the international syndicate which will sell shares in British Energy, the future owner of the UK's nuclear generators.

The UK government is expected to raise between £2.2bn and £2.6bn ($3.3bn-$3.9bn) from British Energy's stock market flotation, scheduled for early July. The shares will be listed in London and issued on a partly paid basis.

The Department of Trade and Industry selected Cazenove, HSBC, Mediobanca, Morgan Stanley, Nikko, Paribas and West Merchant Bank, part of Germany's Westdeutsche Landesbank Girozentrale.

BZW, the global co-ordinator for the offering, said the seven were chosen for their understanding of the complex research issues involved in the privatisation and for their regional equity distribution strengths.

A research meeting for the analysts of the eight banks will be held on May 3 to enable them to produce their research documents before investor roadshows begin in late June. *Antonia Sharpe*

Lloyd's Names defend payers

Lloyd's of London Names have formed another "action group" – this time to represent the interests of those who have paid their losses at the insurance market.

The Paying Name's Action Group is alarmed that Lloyd's proposed recovery plan, which includes a £3bn ($4.5bn) or more out-of-court settlement offer, will reward unfairly those who refused to pay up during the market's bad years. Names are individuals whose assets have traditionally supported Lloyd's. The market has reported losses of more than £8bn in recent years. *Ralph Atkins*

Cuts threaten World Service

The BBC World Service warned yesterday that it might have to cease broadcasting in a number of languages if planned government cuts go ahead. Mr Sam Younger, World Service managing director, told the Foreign Affairs Select Committee that if planning figures did not change "we will later in the year have to be looking at cuts in programme services". He said: "The cuts would make a very small saving to the Exchequer, but cause disproportionate damage to World Service output." *Raymond Snoddy*

Court rules on women's pensions

The Lloyds Bank pension scheme may have to increase benefits by up to £100m ($151m) following a High Court ruling yesterday on equalising pension benefits for men and women. The case was brought by the trustees of the scheme to test the legality of bank plans to level down the benefits payable to 3,000 women who joined Lloyds before 1974, when it equalised benefits payable to its employees of both sexes.

Until 1974 women could retire at 55 with a full pension after 37 years of service, while men had to wait until 60 and serve at least 40 years. The decision follows a European Court ruling in 1990 which required pension schemes to give equal benefits to both sexes. *Alison Smith*

Engineers court multinationals

The Engineering Employers' Federation, Britain's main engineering trade body is to try to recruit more multinational companies as members as part of its strategy to carve out a broader role. The organisation, set up 100 years ago yesterday, also plans to step up the level of service it offers members, mainly at a regional level.

It wants 5,500 member companies by 1999, up from 5,000 now. It believes recruiting more multinationals would give it greater political weight, for instance when presenting views to ministers, and deeper knowledge about technology flows between different sectors and trade issues. *Peter Marsh*

Company conduct comes under increased scrutiny

William Lewis examines UK corporate governance

Improved disclosure in companies' annual reports and action by institutional shareholders ahead of company meetings has raised serious questions about how UK companies are being run and whether corporate governance rules – in some cases only recently introduced – are effective.

One fund manager predicts that the lesson of the UK's latest annual meeting season will be that "we have lots of corporate governance rules for areas where we don't really need them and none for where we do".

Companies and fund managers draw mainly on the recommendations of the 1992 Cadbury Committee on corporate governance, which recommended splitting the roles of chairman and chief executive, and more recently the Greenbury committee, which reaffirmed that directors need to be more accountable to shareholders, for best practice guidelines.

With the approach of a general election in the UK, political donations by companies has become one of the most controversial corporate governance areas.

Sun Alliance, the insurance company, is the latest of several companies to disclose an annual political donation - £50,000 to the Conservative party - in its annual report.

Mirror Group states in its annual report that it has given £21,000 to the Labour party.

Another important area involves the changes being proposed by companies to the rules governing their annual meetings.

British Aerospace, the UK defence company, is facing pressure about its plans to reform the rules for voting at its annual meeting. It wants to scrap votes on a show of hands and end shareholders' rights to propose amendments to resolutions at its annual meeting.

BAe said last night that another proposal to end the annual vote on its report and accounts would be amended. "We will continue to have the report and accounts voted on all the time that it remains best practice", the company said.

Earlier this week Inspec, the former BP chemicals company, agreed to back down on its proposal to insulate directors from having to seek regular re-election by shareholders. An insider said: "Some big shareholders told them it was daft to introduce such a backward step and they agreed."

Concerns have also been raised about Kwik-Fit, the tyres, exhausts and brakes fitter, whose chairman and chief executive, Mr Tom Farmer, is up for re-election at the company's annual meeting, on a five-year rolling contract.

This conflicts with guidelines, accepted by leading institutional shareholders as best practice, that directors' contracts should be no longer than two years.

At least one institutional investor has committed to voting against Mr Farmer's re-election unless he agrees to shorten his contract. The company said yesterday that "if it becomes a big issue for shareholders then the board will have to reconsider it".

Fund managers and analysts say that such examples show that while information disclosure to shareholders has mushroomed alongside best practice rules, achievement of better corporate governance at public companies is still a haphazard affair.

Another example is how several companies are seeking approval for long-term incentive schemes for directors to replace share option schemes. This follows a suggestion in the Greenbury committee's report on executive pay that companies make such a change.

However, fund managers complain at the lack of guidelines for helping them to judge whether to vote for the plans. "There is no consistency amongst fund managers in judging our plan," one company secretary said. "They all want us to do it slightly differently and it's a shambles".

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UGANDA

An inspiration for the continent

Uganda has replaced Ghana as the *model reformer in Africa*. Now it needs to ensure a peaceful political transition while maintaining a high growth rate, says Michael Holman

The highest economic growth rate in Africa is turning a country once associated with disaster into an inspiration for the continent.

Ten years after President Yoweri Museveni and his National Resistance Movement took office, the revival of a nation devastated by the despotic regime of Idi Amin and the war to overthrow him continues apace.

Uganda's GDP growth has averaged 6 per cent annually since 1987, notched up an astonishing 10 per cent last year, and is set for around 8 per cent this year.

Inflation is held at 5 per cent, the freely convertible currency remains steady, foreign reserves equal nearly five months' import cover, and the return of Asians expelled in 1972 has boosted investment.

No wonder, then, that Uganda has supplanted Ghana as the model pupil of the World Bank and the International Monetary Fund (IMF), and western donor support runs at more than $500m a year.

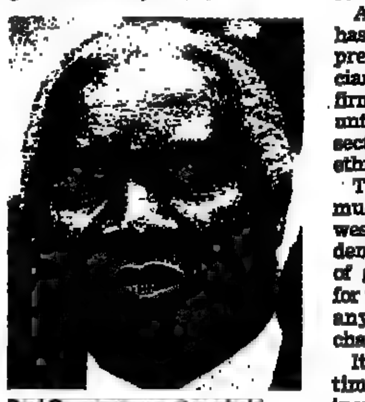
Yet the celebration of what has been a remarkable decade of economic recovery and political stability is somewhat muted, and with good reason.

Next month's presidential poll has revived concerns about the country's long-standing regional and ethnic divisions, while rebel activity has disrupted normal life in parts of the north.

And for all the progress since President Museveni took power in 1986, Professor Paul Collier of the Oxford Centre for the Study of African Economies points out, "the economy on most indicators is less than halfway back to its size and shape in 1972".

That watershed date is the year after Amin seized power, precipitating Uganda's economic and social collapse. By

Yoweri Museveni: era of coalition government may be over



Paul Ssemogerere: stronghold among the Baganda in the south

1980 exports of tobacco, tea, cotton and copper were nil or negligible. Production of coffee, the main foreign exchange earner, slumped to half pre-Amin levels, while a once thriving tourist sector had folded.

Manufacturing had collapsed, hastened by the mass expulsion of Asians and a crude nationalisation policy.

The country remains deeply scarred by its past: skills were depleted by political killings under Amin and former President Milton Obote, and a badly damaged road, rail and power infrastructure is still being rehabilitated.

It was the need above all for peace and stability, and consensus about the basic development objectives, that led Mr Museveni to try to find a middle way between the one-party system that has served Africa so badly, and the Westminster multi-party model that has proved so fragile.

Thus for most of his first decade in office, Uganda has functioned under a no-party system, in which the former political parties, while not banned outright, have been severely constrained.

At the same time, Uganda has enjoyed a relatively free press and independent judiciary. While the NRM has been firmly in control, cabinet has until recently reflected a cross-section of parties, regions and ethnic groups.

That is now changing, as much due to pressure from western donors seeking a more democratic, accountable form of government as a condition for their continued aid, as from any internal pressure for change.

It is probably not before time. Power has become increasingly concentrated in the hands of the president and a group of aides, officials, ministers and army officers drawn from Mr Museveni's home region in the west.

If all goes to plan, parliamentary elections next June will be followed by a referendum four years hence which will allow Ugandans to decide whether to return to multi-party politics.

Yet, to the dismay of many Ugandans, the country is emerging from its hiatus in conventional political activity with the traditional alliances and cleavages surprisingly intact.

Political loyalties still seem largely determined by ethnicity, region and history. Though the edges may be blurred, the Uganda People's Congress (of which Mr Obote is still the leader, though in exile in Zambia) draws heavily for its support on the northern Langi-Acholi tribal base.

Kampala, the capital city: Uganda's GDP growth has averaged 6 per cent annually since 1987 and last year reached an astonishing 10 per cent

Picture: Michela Wrong

The Democratic Party, led by Paul Ssemogerere, who is now running for the presidency as a joint DP-UPC candidate, has its stronghold among the Baganda people in the south.

Mr Museveni's hold on the west, coupled with his record of securing peace and maintaining economic growth, will probably be enough to secure him a further term in office, but at a price.

The era of de facto coalition government may be over. Mr Ssemogerere, who has served in past cabinets, is now firmly in the ranks of an opposition which will turn its attention to the parliamentary elections.

This leaves some Ugandans uneasy, for it can be argued that now as much as ever, Uganda needs a government of national unity if it is to cope with rebel activity in the north and sustain its high level of economic growth.

The past few weeks has seen a resurgence of fighting around Gulu and other centres in northern Uganda, involving a bizarre religious sect known as the Lord's Resistance Army, supported by neighbouring Sudan, and exploiting ethnic rivalries, historical grievances, and a sense of neglect highlighted by the contrast with the buoyant south.

Making development more equitable and maintaining growth will not be easy, as Josah Mayanja-Nkangi, finance minister, readily acknowledges, for the country has some formidable hurdles to overcome.

Servicing the country's $3.3bn debt takes up around 30 per cent of export earnings. The country's skills shortage is exacerbated by the blight of Aids, which according to one forecast could see life expectancy fall to 32 years by 2010.

Placing the banking sector on a healthy footing is proving a demanding job, with the Uganda Commercial Bank, the country's largest, paying the price for ill-advised loans to government officials, politicians and senior army officers.

And while the Uganda Investment Authority calculates that some $850m in foreign investment has been attracted to the country since 1981, even higher commitments are necessary if Uganda is to maintain growth and reduce its dependence on donor support.

Official gross aid flows totalled about $550m in 1993/4, more than twice the value of merchandise exports, and the same amount last year.

"At present," notes a World Bank study, "aid covers more than 80 per cent of all public investment and a substantial share of other public outlays."

Meanwhile, the structural adjustment programme which is at the heart of Uganda's economic reforms still has a long way to go, and must overcome resistance.

Much of the returning capital has gone into rehabilitating a manufacturing sector dominated by import substitution. Many businessmen, led by the Uganda Manufacturers' Association, argue that the pace of trade liberalisation demanded by the World Bank is too rapid, leaving their factories vulnerable to cheaper, imported products.

Yet Uganda can draw on an extraordinary range of natural resources to help it overcome these challenges and fuel further growth.

The revival of the country's high quality cotton crop, rehabilitation of the tea estates, development of non-traditional agricultural exports ranging from vanilla to roses, will provide a huge boost to the economy.

Other assets soon to be realised or expanded include the cobalt in the tailings at Kilembe copper mines, and the tourist potential of one of Africa's most scenic countries.

Mr Museveni's great achievement has been to provide the platform of peace and security that economic growth requires. As the political temperature rises in the run-up to next month's poll, Ugandans will need to ensure that old rivalries and tensions do not jeopardise the continuation of the country's economic recovery.

Economy: by Michael Holman

Top of the reform league

Uganda has to consolidate its achievements and attract substantial foreign investment

When the World Bank and International Monetary Fund (IMF) launched their structural adjustment programme in Africa, few would have thought that a decade or so later Uganda would be leading the field of successful reformers.

Even though the country's 1994-95 gross domestic product growth of 10 per cent owed much to a boom in coffee earnings – directly worth 3.8 per cent of GDP according to one estimate – the foundations for the remarkable performance had been laid over the years.

Now Uganda has to consolidate its achievements and do what no other African country has managed.

It has to follow in the footsteps of east Asian economies and maintain high growth, breaking free of its dependence on aid by attracting substantial foreign investment and increasing levels of domestic investment.

To do this Uganda needs to expand an export base reliant on a handful of cash crops, make an import-substitution manufacturing sector competitive in international markets, and provide a more efficient economic environment. What is more, Uganda has to carry out these measures while coping with a difficult transition to multi-party politics.

It is a tall order, given constraints that range from a weak financial services sector to a poor infrastructure, a relatively small and landlocked domestic market of 19m people, and levels of domestic investment that are well below East Asian levels.

Officials say that the country has already passed the first test, however, by maintaining fiscal discipline and resisting the temptation to spend in an election year – unlike Ghana, the only mainland African country whose reform performance can compare with Uganda.

Joash Mayanja-Nkangi, Uganda's finance minister, insists that he has President Yoweri Museveni's backing in his determination to keep state purse strings tight.

The only areas where original budget estimates may not be met, he says, are defence, where spending has risen as a result of the rebel activity in the north, and a higher than anticipated cost of forthcoming presidential and parliamentary elections.

Western donors are not so sure. Spending over-runs may not be more substantial than the minister suggests, they suspect, and they are waiting to see the latest data for themselves. But as of the end of last year, government was meeting its commitments under an IMF extended structural adjustment facility (ESAF), and the Fund released the second $60m tranche of its $180m ESAF agreement.

Among the performance targets, say Fund officials, is the continuing reduction of the overall budget deficit before grants as a percentage of GDP. This has fallen steadily from 15 per cent of GDP in 1991-92 to 7.8 per cent in 1994-95, and the aim is bring it down to 4.4 per cent by 1997-98.

This has been helped by rigorous cuts in both the civil service and army. The former has been reduced from 320,000 people in 1990 (including so-called "ghost workers" – employees who have died, but whose relatives still collected their salaries) to around 150,000 at the end of 1994.

About 33,000 soldiers have been demobilised in the past two years, and a further 12,500 are expected to go in a process which will eventually reduce the army to half its present size.

Foreign exchange controls have been lifted, inflation brought down to 8 per cent for the year ending March, 1996, and the overall balance of payments position has moved from a deficit of $8.2m in 1992-93 to an estimated surplus of about $127m in 1994-95.

The return of Ugandan Asians expelled by the Idi Amin regime in 1972, coupled with greater general confidence in the economy, has seen the return of flight capital averaging almost $300m a year over the past three years, according to IMF estimates.

Several banks, however, are in severe difficulties, with the biggest problem posed by the Uganda Commercial Bank, the country's largest bank, accounting for half of all commercial assets, 43 per cent of all bank deposits and 55 per cent of loans.

Last year the government restructured UCB by hiving off non-performing loans to a recovery trust, in exchange for interest-bearing bonds, and injecting fresh capital.

But what makes the issue particularly sensitive is the fact that the UCB's non-performing loans, put at USh101bn (100m), are mostly owed by politicians, top managers and senior army officers.

The second difficult policy area involves the fact that much of the recent investment has gone into an import substitution manufacturing sector which will be vulnerable to further trade liberalisation – a key condition to continued donor support.

James Mulwana, chairman of the Uganda Manufacturers' Association, argues that his members need more time to consolidate and adjust. "Give us two or three more years," he says – a plea which finds little sympathy from donors anxious to press ahead.

The country has also yet to resolve the burden of external debt, now standing at $3.4bn. Servicing the debt takes up nearly a third of export earnings, and half of those payments go to multilateral lenders - such as the World Bank - whose purpose is to help Uganda break out of poverty.

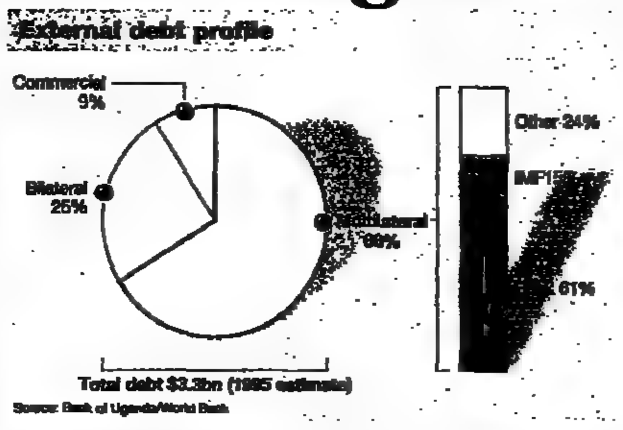
But perhaps the critical question facing the government is whether it can raise domestic investment to East Asian levels.

Professor Paul Collier of the Centre for the Study of African Economies in Oxford points out that while private investment has been growing more rapidly than GDP for six years, public investment has followed an "extraordinary" pattern, declining in real terms between 1988-89 and 1993-4, yet growing by 40 per cent in 1994-5.

If Uganda is to blaze the second leg of the reformist trail in Africa and sustain current rates of growth, say local economists, it must achieve a higher rate of investment in farms and factories, as well as in human capital and economic and social infrastructure.

As one donor official puts it: "Uganda now has to show it can provide the management of its resources that sustained growth requires."

External debt profile

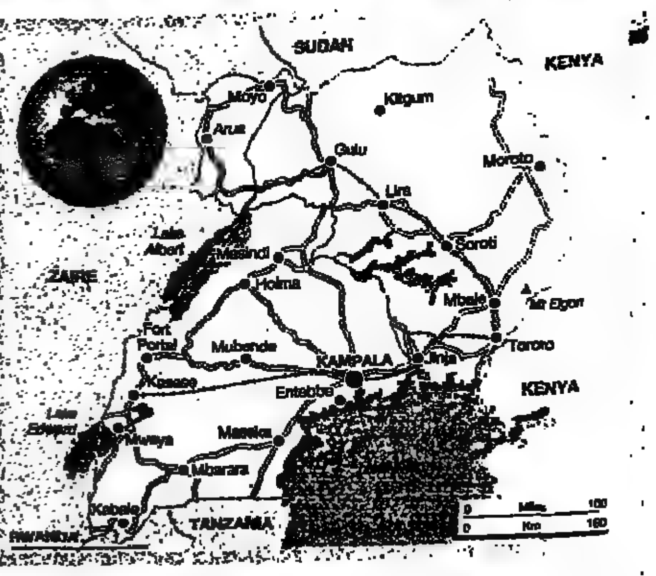


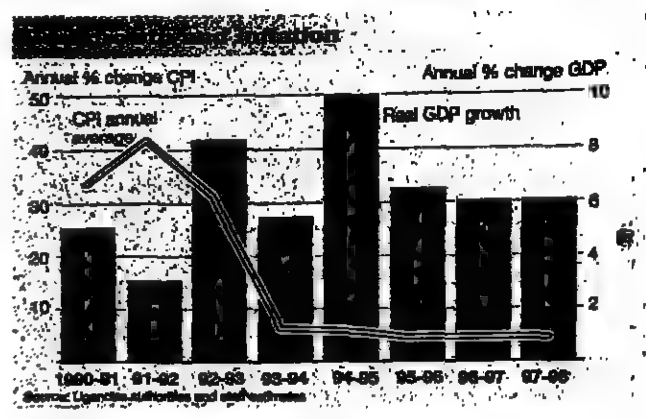
Source: Bank of Uganda/World Bank

Key Facts

Head of state:	Yoweri Museveni
Population:	19.3m est.
Land area:	197,000 sq km
Currency:	Ugandan shilling
Exchange rate:	
1995 average:	$=USh959.56
1996 average (to April 22):	$=USh1014.12
Economy	
Total external debt (1995 est):	$3.3bn
Total GDP (1995 est):	$5,504.2m
GDP growth 1994-95:	10 per cent
Inflation 1995:	8 per cent
Per capita income:	$230
Exports 1994-95:	$711.5m
Imports 1994-95:	$45.1m
Overall balance of payments 1994-95:	$127m

Sources: IMF, World Bank, government statistics





Investment: by Michael Holman

Exciting opportunities abound

Political stability and sound economic policies have played a part in attracting investment interest

It seems appropriate that three of Uganda's leading development agencies – the World Bank, the Commonwealth *Development Corporation* (CDC) and the Development Finance Company of Uganda (DFCU) – should be located at Rwenzori House, the slick new office block in central Kampala.

Both the CDC and the DFCU were among investors shrewd enough to have put their money into its construction, and are expecting a most satisfactory rate of return – hoping to recover their outlay within five years.

In his more modest offices on Kampala's busy main street, George Rubagumya, executive director of the Uganda Investment Authority, sets out the factors that have made the country one of the most exciting investment opportunities in Africa: political stability; sound economic policies; a freely convertible currency; no restrictions on the employment of expatriates; cuts in corporate tax rate from 40 to 30 per cent; and investment incen*tives that include tax holidays* of up to six years and duty-free imports of capital goods and machinery. Opportunities range from the traditional strength of the Ugandan economy – agriculture – to the introduction of high-technology, such as communications.

One of the main projects soon to get under way is the construction of a cobalt processing plant at Kilembe, 400km west of Kampala, where there is some 1.1m tonnes of *cobalt pyrites as a by-product* of the copper mining.

Brian Perks, the Commonwealth Development Corporation's manager in Uganda, explains how the CDC, the European Investment Bank, the International Finance Corporation (the World Bank's soft-loan operation) and the French company Proparco will collaborate in an $80m project that will extract cobalt from the pyrites at a rate of 1,000 tonnes of cobalt annually over the next 12 years.

CDC's total investmentment *in Uganda is some $47m.* A third of that has gone into reviving the dilapidated tea industry, where CDC is the single largest shareholder in Rwenzori Highlands Tea Company, in partnership with James Finlay plc. It also has placed funds into CelTel, Uganda's recently established mobile telephone company, and Rwenzori House itself, with a 40 per cent stake.

Meanwhile, Iona Joy, seconded from the CDC as operations manager at the Development Finance Company of Uganda (DFCU), outlines a pyrethrum project run by Agro Management (Uganda) in which IFC, the East African Development Bank, the US Agency *for* International Development (USAID) and the DFCU itself will take part.

The project, a prime example of the country's potential to develop non-traditional agricultural exports, is expected to generate foreign exchange earnings of around $5m a year, *involving 30,000 small* farmers.

It is one of around 50 projects in the DFCU portfolio, whose growth reflects the transformation of the Ugandan economy, quadrupling from USh5bn at the end of 1992 to USh22bn by the start of this year.

First formed in 1964, but revitalised in 1988 with an injection of new capital from its four shareholders – the London-based CDC, IFC, DEG, the German development institution, and the Uganda Development Corporation – DFCU has no shortage of funds for appropriate projects, says Ms Joy. "Ensuring good management is usually the biggest difficulty."

For local investors difficulties in raising credit is a significant problem, in part because of their own poor track records, in part because of the weakness of the banking sector. "Parts of the banking industry are experiencing grave difficulties – in particular, the non-performance of loans and *very* substantial arrears," says Ms Joy.

"Cases vary, but in DFCU's experience, very poor performance of a loan is nine times out of 10 the result of inadequate management, or unwillingness by the project sponsor to honour their dues."

A weak financial sector and shortages of management skills, as well as political lobbying for favoured clients, *have been among the difficul*ties experienced in Uganda's privatisation programme, under which a dozen hotels, as well as cement, distillery, textile, tobacco, and other companies have so far been returned to the private sector.

But further investment opportunities are opening up as the government attempts to meet its target of putting 85 per cent of state-owned enterprises back into the private sector by December 1997, raising more than USh300bn in the process.

Around 50 state-owned corporations are in the next phase of the privatisation pipeline, including Uganda Airlines and *Uganda Commercial Bank.*

But perhaps one of the most striking examples of the reversal of the disastrous nationalisation policy is the revival of the Madhvani family agro-industrial group of companies.

Reduced to near-dereliction during the Amin era, the combination of external and local investment and the return of the Madhvani management has brought about a remarkable recovery in the group's fortunes, with total assets in Uganda now standing at more than $200m and contributing between 7 and 8 per cent of total tax revenue collection.

The latest development is the expansion programme at *the group's main industry*, the Kakira Sugar Works outside Jinja, which will nearly double output to 120,000 tonnes of sugar.

Obstacles to investment, however, remain the modest size of the consumer market in a country of 19m people whose middle class was destroyed by the civil war. Plans to relaunch the East African Community grouping Uganda, Tanzania and Kenya – a union that would create a market of some 70m consumers – are still in their infancy and local industrialists fear competition from cheaper imports as protective tariffs come down.

Housing is difficult to obtain *and expensive, power supplies* are inadequate and erratic and the road and rail network remains weak.

Foreign business people also express concern about what they see as an increasing level of corruption and official patronage. "Nowhere near the *scale of Kenya,*" *said one*, "but sometimes enough to make the difference between following through with a project or pulling out."


Turning over a new leaf: the CDC has invested $16.5m in reviving the dilapidated tea industry

Agriculture: by Michela Wrong

A lush market garden

Good rainfall and better husbandry are pushing coffee production ever upwards

Uganda has successfully resisted the urban rush witnessed in so many other African countries. Fewer than 1m people – a 19th of its population – live in the capital Kampala.

From the air it is easy to see why. With its rolling hills of fertile, well-watered soil the country resembles one large, lush market garden. With such an abundance of ready food to hand for 2.5m smallholders, why move to the city?

The country's reliance on agriculture has done it little harm of late. Last year's surge in world prices for coffee, its main export, fuelled a mini-boom and prompted the government, worried about its potentially destabilising effect, to slap a tax on coffee. The International Monetary Fund estimates the coffee windfall accounted for 3.7 per cent of overall GDP.

Although prices have now fallen, coffee could still account for some 65 per cent of GDP this year.

Good rainfall, better husbandry, thanks to the farmers' renewed interest in the crop and the planting of young bushes to replace ageing stock, are pushing production ever upwards.

Tress Bucyanayandi, head of Uganda's Coffee Development Authority, says output in 1995/96 should be 198,000 tonnes, 0.3 per cent up on 1994/95. "We're back at what we consider normal average production after the years of disruption and heading back to the peak of 213,000 tonnes reached in 1972/73. We aim to reach that and maybe exceed it."

The sector has been in the process of liberalisation for the past five years. The Coffee Marketing Board's monopoly on exports was removed in 1990, taxation reduced and most recently an export floor price was abolished. The result is a near doubling of prices paid to farmers since 1989.

But liberalisation has had an impact on quality and Uganda now needs to concentrate on improving standards if its robusta beans, which dominate exports, are to retain their premium on the world market.

"In the monopoly years farmers often had to wait a long time for coffee to be collected, so they stored and dried it carefully. With the proliferation of buyers, coffee is sold immediately and quality suffers," says Mr Bucyanayandi. "The message is now getting through that we cannot afford to let Uganda's reputation decline."

The sector is gradually settling as less experienced exporters collapse. Although 260 exporters have applied for licences since liberalisation started, only 80 survive and of those only 40 are really active. Mr Bucyanayandi expects 40 to 50 serious exporters to remain in two years' time.

Now that world prices have fallen, growers are looking for ways of adding value. One idea being considered is to revive exports of wet processed coffee, largely abandoned during the years of political instability.

"Studies show that as long as you can guarantee a minimum volume to the buyer, wet processed coffee pays because it caters for a specialty market," says Mr Bucyanayandi. "It's up to individual farmers, but we would certainly encourage this development."

Uganda's other traditional agricultural sectors – cotton, tea and sugar – did not weather the turmoil of the 1970s as well as coffee. Although liberalisation has triggered a recovery, output still bears no comparison to levels reached before Idi Amin expelled Asian estate owners.

The tea industry had recovered to 12,700 tonnes by last year – half its peak level – as ownership transferred to farmers and estates were returned to former owners. One investor is the Commonwealth Development Corporation (CDC). In partnership with the UK's James Finlay plc, it has invested $16.5m, a third of its Ugandan portfolio, in the six privatised tea estates that make up Rwenzori Highlands Tea.

When CDC staff first arrived they found bushes had grown to 40 feet. It will take some years to recover from such neglect. "The quality will never be amazing but there is huge potential for high yields. But so far we are not getting much return on Rwenzori," says Brian Parks, CDC's country manager.

While Uganda recently benefitted from its reliance on one crop, the coffee boom underlined its vulnerability to dramatic prices swings. There is a growing realisation that Uganda must exploit the opportunity offered by its fertile soils to diversity.

Experts believe the future lies in exports of maize, beans, fish products, fresh fruit and hides and skins. The value of such non-traditional exports rose 65 per cent last year, according to the World Bank. It is expected to more than double between 1994 and 1998, to over $186m.

Cotton: by Michela Wrong

Object lesson for investors

Uganda exported 470,000 bales in the early 1970s compared to 33,000 bales last year

For those tempted to invest in Uganda, Bruce Robertson's tale is something of an object lesson, highlighting the potential pitfalls and possible rewards of venturing into the under-exploited agricultural sector of a country as it opens to the outside world.

The young South African businessman, managing director of Africa Resources Ltd, arrived in Uganda last year with less than $1m to invest in an export-oriented agricultural venture. He soon decided the long-neglected cotton industry offered the greatest promise.

Once one of the world's biggest cotton producers, exporting 470,000 bales in the early 1970s, Uganda produced 33,000 bales last year. Now liberalised, the sector had been crippled by civil strife, an inefficient marketing board and poor management by co-operative unions which failed to pay their farmers.

Impressed by the government's open exchange rate policy, its record of political stability and an investment code that promised zero tax for the first five years, Mr Robertson singled out two ginneries in the eastern district of Pallisa.

The Iki-Iki and Kabole ginneries had been rehabilitated in the 1980s and were in good condition. One was working only at a fraction of capacity and the other had not operated for three years. The North Bukedi Co-operative Union responsible for them was bankrupt, owing money to the banks, farmers and its workers.

Advised by Uganda's Investment Authority and Cotton Development Organisation, Africa Resources offered to pay off and take over the union's debts as part of a joint venture. A memorandum of understanding was drawn up and the deal appeared ready to steam ahead.

But a rival suddenly appeared on the scene. Alerted to the enormous potential of the ginneries, the rival drew up a similar deal to Mr Robertson's, added 10 per cent, and offered union officials sweeteners to clinch a rival deal.

"I returned to sign and found they had stolen my contract from under my nose," says Mr Robertson. It seemed a familiar chapter in the typical African business saga – sleaze factor sends naive foreign investor packing.

It was at this point that Mr Robertson's decision to go through official channels rather than taking short cuts paid off. He complained to the Ugandan Investment Authority and they intervened. All memorandums of understanding were cancelled and the union was told to put rival offers to a members' vote.

Mr Robertson spent weeks in Pallisa going from door to door, explaining his plans to farmers. "The rival group lobbied the president and the minister, but it didn't spend a day in the district. On the day of the vote the farmers opted unanimously for me."

The fight was not over. As the deal was finalised, the rival group continued to put intense pressure on union officials and the district commissioner to switch sides.

"On the very day we signed union officials were being approached in their hotel by men offering brown paper bags of money. It was a hell of a tense process. But the fact a vote had been held made it impossible for those involved to go back on it."

The ginneries started operating under new management last December and are now buying from 10,000 farmers, distributing $15,000-25,000 cash daily through a network of primary buyers.

For farmers who had not been paid in cash since the 1960s, the sudden inflow has been a tremendous psychological boost.

The first crop was a disappointing 3,500 bales, but Mr Robertson confidently predicts next year's crop could reach 15,000-20,000 bales. "This season we had to prove to farmers we were serious, around to stay and we paid cash. There are 56,000 farmers in Pallisa and every one now wants to grow cotton."

The ginneries are working six days a week and Africa Resources believes in three years' time it could net $2m in profit on turnover of $12m, not a bad return on a $1m investment. It has been exporting to Japan, Taiwan, Kenya and Germany and the Japanese are so impressed by the cotton's quality they are considering buying the whole crop.

Mr Robertson believes his story illustrates the importance of going through official channels when investing in a country such as Uganda.

Bruce Robertson examines cotton at one of his ginneries

Aids-related diseases: by Michela Wrong

Army major works a minor miracle

The statistics make bleak reading – 450,000 Ugandans dead, probably 1.5m infected

When Ruranga Rubaramira, a major in the Ugandan army, discovered he had tested HIV positive after contact with a girlfriend who has since died of Aids, he debated whether to tell his colleagues. "I thought, I can keep quiet. But even if I keep quiet, I will die. So why die without having first done some good?"

The major not only told his superiors, he volunteered to start counselling fellow sufferers. Seven years later, the 48-year-old infantryman has become something of a national celebrity, appearing on television to advertise an Aids helpline, answering radio listeners' questions on a medical programme and helping to run a centre in Kampala testing Aids drugs.

"Everyone seems to know me," he acknowledges. "Maybe that is because I have revealed many things other people wouldn't."

His aim, he says, is to destroy the social stigma still associated with Aids that leaves sufferers so depressed, anxious, ashamed and self-obsessed they take few steps to prevent others being infected.

In future accounts of the history of Aids in Uganda, Major Ruranga and the many others like him may be credited with working a minor miracle. For the latest exciting evidence suggests HIV prevalence is finally falling, the result, scientists here suspect, of a fundamental change in sexual behaviour triggered by a public campaign that has been often breathtaking in its frankness.

Where other African leaders have either skirted the problem, denied its existence, or succumbed to browbeating by the Roman Catholic church when it comes to recommending contraceptives and family planning, President Yoweri Museveni realised that openness was the most effective weapon against Aids in a traditionally conservative society.

On the main airport road into Kampala, huge billboards recommend abstinence, fidelity and condom use and warn against the lustful feelings generated by alcohol. A total of 600 local non-governmental organisations offering advice and support to the afflicted are registered with the Aids Commission.

"Capital doctor," the radio programme Major Ruranga talks on, offers blunt advice on sexual practices and dispels sexual myths, while "Straight Talk", a monthly supplement aimed at the adolescent market which appears in Uganda's main newspaper, tackles problems ranging from date rape to vaginal discharge.

"We have found that simply talking about sex is not enough to combat Aids," says Catherine Watson, Straight Talk's technical adviser. "You have to be detailed and you have to be explicit. It's true that it's not normal to talk about penises and masturbation. But these are not normal times."

The programmes and the campaign as a whole are targeted at the group considered most at risk – those between the ages of 15 and 25.

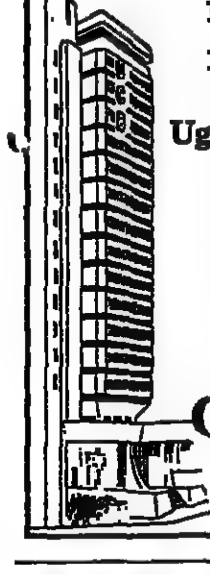
The aim is to raise the average age at which most Ugandans first have sex from the present 15 to 18, increase contraceptive use and faithfulness to partners and encourage girls – five times more likely to catch the virus than boys – to take control of their own sexuality. Aids experts believe it is the behaviour of this section of the population that now lies behind the latest interesting statistical trend.

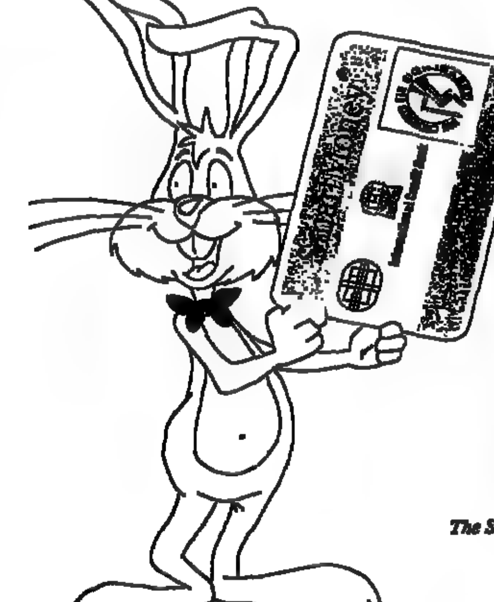
At an international Aids conference staged in Kampala last December, Ugandan scientists revealed that blood samples taken from pregnant women in 1993 had shown HIV prevalence, which showed signs of stabilising in 1992/93, was now actually decreasing in urban areas and holding steady in the countryside.

While stressing more studies are urgently needed to show what precise factors lie behind the trend, experts believe a change has taken place. "Surveys suggest that urban youngsters in particular are behaving differently," says a health ministry official. "Their knowledge of Aids is very high, they are sticking to regular partners and they are using contraceptives. The young are learning the lessons of the past."

If the latest trend continues, recent projections that saw average life expectancy falling to a horrific 32 by 2010 and more than 2m Ugandans either HIV-positive or dying of Aids by 1998 could be wrong-footed.

The facts still make for bleak reading: some 450,000 Ugandans already killed, a probable 1.5m infected, whole families wiped out, devastated rural communities where the number of plots is shrinking, agricultural output falling, orphan numbers rising and labour in short supply because the women who tended the fields are dead.





■ **Tourism:** by Anna Borzello

Visitors are starting to make their way back

Uganda's tourism master plan seeks to avoid mistakes made by its neighbours

Aids and Idi Amin are what most foreigners associate with Uganda, and neither mental image tends to trigger enthusiasm for a visit. Despite such handicaps, tourism is now the fastest growing section of the economy, rising 18 per cent a year. In 1995, tourist arrivals reached 175,000, the level originally projected for 2002.

The figure represents an impressive turnaround. In the early seventies, Uganda's tourism industry matched that of neighbouring Kenya. It was then the country's third largest foreign exchange earner, with 85,000 annual visitors. Then the megalomaniac Amin seized power and everything changed.

Most of the industry was run by Asians. Amin expelled them in 1972 and distributed their properties to his followers, who ran them into the ground. But the widely-reported atrocities of his regime were a stronger deterrent than poor cuisine or dirty sheets.

The decline was sealed during the "liberation war" of 1979, when invading Tanzanian forces went on machine-gun killing sprees in the game parks, slaughtering wildlife for sale on local markets.

Poaching became commonplace. A hippo is large enough to feed a village and tastes a little like pork. Thousands of elephants in the Queen Elizabeth and Murchison Falls national parks, living up to their reputation for intelligence, sized up the situation and crossed into Zaire.

Although tourist numbers climbed slightly in the early eighties, the industry only began to revive when President Yoweri Museveni took power in 1986. Seeking to escape dependence on coffee exports, the government pinpointed tourism as a key source of foreign exchange.

In 1990, Uganda's Tourism Master Plan – drawing on lessons learned from 20 years of global mass tourism – set out to target the high spending, low-impact "eco-tourist" who brings in money without damaging the environment.

In drafting its plans, Uganda has regarded its more commercialised neighbour, with its saturation game viewing and environmental degradation, as a salutary lesson.

"We really want to avoid mass tourism. We don't want to be like Kenya," says Ignatius Nakishero, marketing manager of the Uganda Tourist Board.

By-laws dictating what buildings can be constructed within the national parks are aimed at ensuring that the ugly hotels that blight scenic spots in so many developing countries never spring up.

The emphasis is on local participation and revenue sharing, key to long-term development. Uganda National Parks has promised that 12 per cent of park profits will be distributed to the local community, with 2.4 per cent going into a central pool to benefit less successful parks.

Unfortunately, this requirement is not yet practicable, given that Bwindi Impenetrable National Park, whose mountain gorillas are the country's biggest tourist drawcard, and the Mgahinga gorilla national park are currently the only ones operating at a profit.

While last year's tourist figures suggest a staggering success for the plan, they are somewhat misleading.

"About 80 per cent are on business or visiting family," a senior ministry of tourism official says. "Only 20 per cent are holiday-makers and only a handful are high-spending tourists."

Most are backpackers and overlanders, tolerated as pathbreakers for wealthier custom. Hampering development is the lack of a skilled workforce and a creaking national infrastructure.

Mountain gorillas: Uganda's biggest drawcard in a fast-developing tourist sector
Picture: Christopher [illegible]

Middle-income visitors may quibble over poor food, slow service and cold water in the lodges but backpackers have more basic complaints – simply getting to Kidepo or Murchison Falls, parks in the north and north-east, can be a problem, particularly since there has been a recent upsurge in rebel activity.

"People here need to realise that we must be a little more professional," said Geoffrey Zobbo, president of the Uganda Tourist Association.

Although animal numbers are steadily rising, those accustomed to the easy game viewing on offer in South Africa and Kenya will find Uganda a challenge.

At Queen Elizabeth, where the lakeside Mweya Lodge is about to undergo a $4m renovation under its new Asian owners, hippos trot gracefully past bedrooms at night. But the elephant population, which has risen to 1,100 from 150, can be more elusive and a game drive exposed little more than a few waterbuck.

Future expansion is bound to benefit from last year's relaunch of the East African Community grouping Kenya, Tanzania and Uganda, which holds potential for both the development of Lake Victoria, a shared asset, and the region as a whole.

"East African co-operation will enable us to penetrate new markets. We can sell ourselves as a region as we did in the sixties and seventies," said Mr Nakishero. "I hope from now on we will learn to look at each other as allies, and not competitors."

Business guide

As a country in transition, Uganda can seem to the visitor a puzzling juxtaposition of high-tech modernity and rudimentary make-do.

Sharp-suited local businessmen sport mobile phones, tap the Internet and discuss Reuters prices. But credit cards are useless outside Kampala, phoning 80km east of the capital often impossible and bureaucracy sometimes seems a throwback to a pre-colonial era.

Sabena, Air France, British Airways and the new Alliance Airlines now link Uganda with Europe. The airport is at the old colonial base of Entebbe, a 45-minute drive from Kampala, either by taxi ($25) or in one of the buses offered by the city's hotels. Airport tax on departure is $20.

Until recently, hotel choice was restricted to the conveniently-located but expensive Sheraton. Several four-star hotels now offer similar services at lower prices. Alternatively, the Diplomate, outside the city centre, has a more intimate atmosphere.

Telephone rates, once among the highest in the world, are reasonable, but hotels still charge astronomical prices for calls. It may be more convenient to hire a mobile phone from Celtel on 230110. Lines to Kampala and international destinations are good but dialling upcountry, even as close as Jinja, requires patience.

Taxis, available at hotels or on street corners, can be hired for the day for around $50. The boom has turned traffic jams from a rarity to a twice-daily event. Car hire is an expensive alternative: a four-wheel drive costs up to $100 a day, with mileage and fuel extra.

Most travel agencies and car hire firms refuse credit cards. Shillings and foreign currency can be bought with Amex or Visa at Barclays Bank and money can be changed at banks, forex or licensed hotels and travel agents.

Ugandans have a less urgent sense of time than Europeans and appointments often run late – particularly if it is raining. This can be frustrating if the appointment is 45 minutes away in Entebbe. Swapping calling cards is an established ritual and business attire is formal.

Many foreigners have invested in restaurants and Kampala now has a choice for diners. The best are Indian – try the Maharajah near the Speke Hotel – or Chinese – Fang Fang and Shanghai. The Swiss House offers fondue and the Sheraton's Lion Bar serves Ugandan food.

For entertainment, the National Theatre shows English-language plays, notable for their vociferous audience participation. There are a handful of nightclubs and casinos, most frequented by call girls. As Uganda has among the highest level of Aids in the world, prostitutes are likely to be HIV-positive.

For long weekends, Queen Elizabeth National Park and the delightful Mweya Lodge are a five-hour drive, or short private flight, from Kampala.

The country is dotted with air strips for those interested in charters. A trip to the mountain gorillas in Bwindi Impenetrable National Park, one of the wonders of the world, needs to be booked in advance. Most parts of the country are safe for travellers but it is now worth checking for northern destinations such as Gulu before setting out.

Useful telephone numbers (Kampala unless otherwise indicated):

International code: 256; Kampala (0) 41, Entebbe (0) 42

Hotels: Kampala – Sheraton 244590, Equatoria 250780/9, Grand Imperial 250681/8, Nile 235900/9, Diplomate tel/fax 267625. Entebbe – Lake Victoria 042 20644/5

Airlines: British Airways 256695; Sabena 234201; Air France 242907; Alliance Airlines 244011; Uganda Airlines 232990; Kenya Airways 236948; Egypt Air 241276. Charters: Eagle Aviation 042 20601 or 284383; Tropical Airways 230829.

Banks: Barclays 232594; Uganda Commercial Bank 234710; Standard and Chartered 231473. Banking hours: 8.30-14.00

Useful contacts: Uganda Investment Authority 251562; Uganda Manufacturers' Association 220285/245560; Commonwealth Development Corporation 235784; Development Finance Company of Uganda 256125; Finance Ministry 234700; Trade Ministry 331104.

Car Hire: Phoenix (tel 236098) is one of the few to accept Amex; Avis 257292; Vacational Tours 234506

Embassies: UK High Commission 257054; US 259791; European Union office 233033.

Anna Borzello

■ **Politics:** by Michela Wrong

Heat is on as election looms

The ferocity of the rhetoric from both sides has sent jitters through the business community

As the days tick by in the run-up to Uganda's first presidential elections, the country's western donors may well be wondering whether President Yoweri Museveni was right all along.

The former rebel leader's line was always that multi-party democracy risked shattering the fragile national consensus behind his "no-party" political system, lifting the lid off the tribal tensions that tore Uganda apart under dictators Idi Amin and Milton Obote.

Ten years into his rule, that contention held increasingly little weight with foreign governments who argued it was time Uganda, darling of the aid world, began to meet democratic standards demanded of other African states.

But in the countdown to the May 9 polls, the ferocity of the rhetoric coming from both sides and its strong tribal undertone has surprised many and sent jitters through the business community, highlighting the tenuousness of the country's grip on peace and prosperity.

Rallies staged by Paul Ssemogerere, the candidate championed by the two main opposition parties, have been broken up by the security forces and supporters beaten up. Access to the media by the opposition, whose candidates are obliged to run as individuals, not party representatives, has been limited.

"There is no level playing field," complains Professor Patrick Rubaihayo, co-chairman of the committee co-ordinating the Democratic Party (DP) and Uganda People's Congress (UPC) campaign. "We didn't expect much, we knew who we were dealing with, but we have still been surprised by the level of violence."

The rising temperature is a measure of the concern felt by the National Resistance Movement (NRM), which has gone from anticipating a walk-over for Mr Museveni to suspecting Mr Ssemogerere, a 64-year-old former cabinet minister, might just stand a chance of victory.

In a rare development in Africa, two opposition parties have succeeded in papering over their differences and are fielding not only a single candidate for the top post but joint candidates for parliamentary elections due in June. The strength of this unlikely union between the UPC, whose leader, Mr Obote, abolished the traditional monarchies of the south, the DP's main constituency, has been a surprise.

Also hurting Mr Museveni are the increasingly damaging attacks in the traditionally pro-opposition north carried out by the Lord's Resistance Army, a rebel movement that has made the president look ineffectual and highlighted his failure to develop the impoverished north.

As the three candidates – Mr Museveni, Mr Ssemogerere and Muhammad Mayanja (considered an also-ran) – do their work on the hustings, the opposition is already accusing the NRM of preparing to fiddle the ballot.

But many analysts believe Mr Museveni can win legitimately because of the enormous credit he still enjoys across the country for bringing peace.

A recent survey by the pro-opposition newspaper, The Monitor, showed that while most of those questioned believed Mr Ssemogerere had better policies, they would vote for Mr Museveni because they believed only he could command the army's loyalty.

On polling day, doubts about the credibility of the opposition alliance, and fears the UPC intends to bring Mr Obote back from exile, could also make voters opt for Mr Museveni's unexciting "no change" slogan.

Even if Mr Museveni gets his popular mandate, the nature of Ugandan politics appears to have passed a turning point well ahead of the referendum due in 2000 to decide whether the country abandons the "movement" system in favour of multi-partyism.

Analysts predict, the NRM, which enjoys an 80-85 per cent majority in the current governing council, will see this shrink to around 60 per cent in the parliamentary polls.

Given the bitterness of personal exchanges seen during the electoral campaign, future accommodations between Mr Museveni and Mr Ssemogerere now appear impossible.

"The coalition system is dead, it is shattered," says Charles Onyango-Obbo, The Monitor's editor. "The NRM has lost its traditional claim to legitimacy, which was that it was inclusive and eliminated tribalism. It has exchanged that for its record on peace and the economy."

With the NRM's role as an all-embracing body standing above tribal affiliation at an end, a future of confrontational politics on ethnic lines beckons.

Some welcome that scenario, arguing the electoral campaign has merely exposed the truth behind the hypocrisy of the "no-party" system: an army, administration and ruling secretariat dominated by members of Mr Museveni's western Ankole tribe.

"This has been a tribal domination from the start," insists Mr Rubaihayo. "There never was a national consensus." But the system, however hypocritical, has one thing to its credit: a decade of peace in one of Africa's most troubled nations.

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ARTS

Cinema/Nigel Andrews

Fascist view of the usurper king

When I first saw *Richard III* at the Berlin Film Festival I had an outbreak of defensive bardolatry. It was probably the spirit of my surroundings. In Hitler's city it seemed a touch glib, not to say tasteless, to have Shakespeare's play dragged up – in all senses – with jackboots, SS uniforms, Lugers and red-on-black fascist regalia.

Second time around, an eerie charm and richer resonance issue from Sir Ian McKellen's usurper king, a smarmy bloodhound with Vincent Price moustache and cod-Sandhurst accent. We admire his wit and his timing (comical and murderous-political). And we applaud his gymnastic agility with his one unwithered arm, even though I missed the higher virtuosity with which he used to unbutton and doff entire jackets in the original mod-dress National Theatre production by Richard Eyre.

McKellen and director and co-writer Richard Loncraine push the play, only slightly screaming, into a 1930s England shot in saturated colours and rearranged by computer graphics. St Pancras station, playing the royal palace, stands on the River Thames. The Brighton Pavilion stands on the seafront. And Battersea Power Station stands almost everywhere, its white boar's-tusk chimneys representing every House of York power base from the Tower of London to Bosworth Field.

Purists may sniff at some sillinesses: like the casting of Robert Downey Jr as the Queen's American-accented brother. (He gets stabbed through a mattress just like the *Friday The 13th* teenager he resembles.) The Queen herself is Annette Bening, also American and also struggling. Surrounded by born-to-the-bard actresses like Maggie Smith and Kristin Scott-Thomas, hauntingly good as a Lady Anne prone to wander into morgues and "shoot up" in the back of limos, Bening tries speaking loudly and bossily. But that is what Hollywood lady executives do, not English queens.

Elsewhere, for all its grander set-moments – the opening tank bursting through the wall, the final toppling of Richard into hell's flames – this *Richard* is best when it is quietest. McKellen bickering patiently with John Broadbent's owlish Buckingham as they watch the grainy black-and-white newsreel that is all we see of Richard's coronation. (There is a budget-saving ingenuity for you.) Or best of all, Richard saving the second half of his "Now is the winter" soliloquy for that quiet place where we can all be alone with our guilts and schemes and thoughts. The loo.

RICHARD III
Richard Loncraine

THE BIRDCAGE
Mike Nichols

SAFE
Todd Haynes

COPYCAT
Jon Amiel

★

As *La Cage Aux Folles* it was a French stage comedy, a French film and a Broadway musical. As *The Birdcage* it is an identity crisis masquerading as a movie. Screenwriter Elaine May and director Mike Nichols, who once wowed the nightclubs as a comedy act before splitting up to make movies, have been seized on in this their first screen collaboration by a Great Idea.

Let us set the story (they no doubt unisoned) in outrageous South Miami Beach. And let us make the *stuffy father* (Gene Hackman) of the girl who is to marry the son of the gay nightclub-owner (Robin Williams) – who (Williams) must clear his apartment of gay knick-knacks and a screaming-queen boyfriend (Nathan Lane) before said parents descend for dinner – let us, we say, make that father a gung-ho "family values" senator. It would be so topical for pre-election America in this year of our Lord and Bob Dole and Pat Buchanan, 1996.

Senator Hackman, who has been lured by his daughter's assurance that Williams is a respectable diplomat, would not wish to be seen dead or alive in an all-male love nest. But the *paparazzi* are already baying outside the door and the gay houseboy is already baying inside the door. And the irrepressible Mr Lane must render *deus ex machina* service by donning wig and frock to play the missing "mother". And yes, finally, Mr Hackman must find his own way of "coming out".

Do we sense trouble when a film can only be described with quotation marks? Though its comedy is alternately coy and crass, *The Birdcage* has been a hit in the US, where audiences who chortle at gay stereotypes have found it funnier than *Thanks For Everything, Julie Newmar*. But since a blow with a brick would be funnier than that film, this seems scant commendation for a movie overwrought, overacted and over only after a painfully long two hours.

★

No one "comes out" in Todd Haynes's *Safe*. Indeed not since *The Fly* (original version) has a leading player disappeared into a movie's scenery more completely, or more memorably. Julianne Moore plays Carol White, a cleaner-than-clean Los Angeles housewife who succumbs, during two hours of coughing fits and initially genteel panic attacks, to full-blown "20th Century Illness".

That is the condition in which, put simply, you are allergic to everything. Even, it seems here, to having everything. Carol lives in a home out of "House Beautiful", has a caring husband and model child and defies Smog City with aerobics and healthy eating. Yet by the close she is immured in a clinic, beating sparrow-like against her fate inside her own bubble-shaped germ-insulation chalet.

Since this director made *Poison*, that sly triptych whose central story spoofed the 1950s Hollywood killer virus movie, we sniff excitedly for double meanings. We suspect that *Haynes* suspects that this illness is at worst imaginary, at best wonderfully emblematic. For like another Haynes heroine, anorexic singer Karen Carpenter who was played by a Barbie doll (sic) in his mockumentary feature *Superstar*, *Safe*'s heroine is a human figurine in search of a soul. Her illness may be a symptom of the loss, or of the eroding anxiety of the quest.

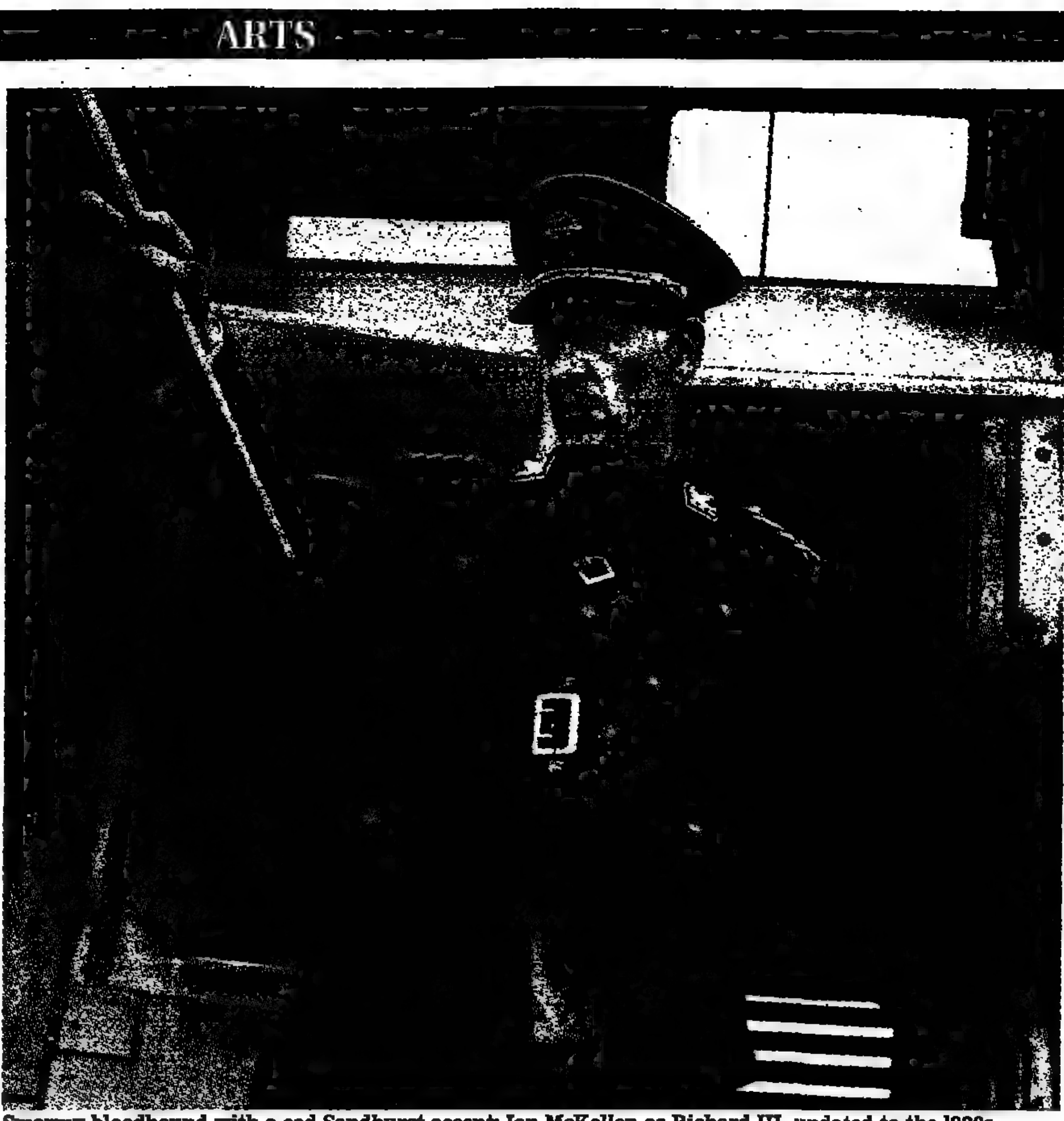
Some viewers complain of too much neutrality. Carol is *so* passive. The soundtrack is *so* quiet. The camerawork is *so* cosseting. We keep expecting a soothing voice to say, "Time for your medication, Mr (or Miss) Audience."

Yet the lush antiseptic visuals, out of *2001* by *Imitation Of Life*, harbour their own sardonic germs. Look at the wall of balloons bobbing like giant bacilli at Carol's birthday party. Look at the luxury bedroom that gets vaster, or seems to, with each new stage in Carol's marital ennui.

Look too at Moore's performance – that squinty stare that comes from a lifetime of emotional flinching, that poised inanition, that stance on the verge of crumpling into the rag-doll. This is the summation of a century's mannequin Hollywood manners: of beauty as social requirement, of perfect toiletry as perfect torture.

Copycat (opening next week) is another form of perfect torture. Take two fine actresses, Holly Hunter and Sigourney Weaver, and throw them into an oubliette plot about serial killers. Hunter plays the San Francisco police detective seeking a multiple slayer. Weaver is the agoraphobic lecturer on serial murder, who has penned herself inside her apartment ever since the day a real killer tried to give her a practical demonstration.

For someone phobic about wide open spaces she has a nice taste in picture windows. Probably any psychopath in California could spy on her through that square mile of double glazing. But then that is what the plot requires. A heroine in jeopardy; the last-scene shadow in the doorway; the noisy crescendo of contrivance and coincidence.



Smarmy bloodhound with a cod-Sandhurst accent: Ian McKellen as Richard III, updated to the 1930s

Opera

Tosca to the rescue

Whenever a production is cancelled at Covent Garden, there is always *Tosca* waiting in the wings. The lost opera this time was *Il corsaro*, which had promised to be one of the most attractive offerings in this year's Verdi festival. This is already the third time out of the stable this season for Zeffirelli's old staging and with the right cast it still works.

The three principal singers this time are hungry to score a success in it. Nelly Miricioiu has not sung at Covent Garden as much as she might have done. In the last 10 to 15 years she has won a significant reputation overseas in the early 19th-century Italian repertoire and Verdi's *Il corsaro* would have suited her perfectly, but the change of plan now leaves her trying to reassert her reputation in Britain with the less comfortable role of Tosca.

Miricioiu sings as though she believes that her voice is not big enough for the part in this theatre. The evening is split between quiet moments, where she is able to phrase with the beauty of sound she brings to Bellini and Donizetti, and louder passages where she resorts to forcing the volume. Professionalism carries her through, bolstered by her keen understanding of the words. Her Tosca is an artiste down to her fingertips, the kind who turns every wave into a theatrical event.

Her Cavaradossi is José Cura, who is temperamentally at the other extreme, as natural as she is affected. Like all three of the principals, he was originally intended for the Verdi and this Puccini is as yet on the heavy side for him. It was not until an exultant cry of "Vittoria" in Act 2 that he gave the full force of his voice to the audience. What promises to make him a special performer is his determination not merely to play the star tenor on stage. For "E lucevan le stelle" Cura does not parade up and down emoting. He simply sat slumped at a table and sang with infinite tenderness, as if just for himself.

That freshness is shared by Anthony Michaels-Moore's chilling Scarpia. In theory, this opera should be too heavy for him as well and, even after hearing him make such a confident job of it, I am not sure that the role is one he should be singing every day. It would be a shame if his beautiful lyric baritone were to have its youthful sheen torn on Scarpia's treacherous vocal barbs. But everything about his performance is already alive to the dramatic possibilities of the role.

All three were newcomers to their roles at Covent Garden and they were in the safe hands of Edward Downes in the pit. Despite some moments when the tension flags, he is a more idiomatic conductor than others we have been subjected to recently. This was the 376th performance of *Tosca* at Covent Garden. May the next hundred or two be as unhackneyed.

Richard Fairman

Performances until May 11.

Theatre/**Alastair Macaulay**

A well-versed but lightweight Tartuffe

For the third time this year, and as on several other occasions in recent years, the Almeida Theatre in London's Islington has come up with (much) the best verse-speaking in London. First was Craig Raine's *1953*, in Patrick Marber's production of which the wedding of metre, rhyme, naturalness of utterance and high tension of pacing was of the rarest order.

Next, though only for a single performance on Maundy Thursday, was Irene Worth, who presented her account of working on the original production of *The Cocktail Party* with T. S. Eliot, in which she delivered speeches from her own original role and others.

Now the Almeida's two artistic directors, Jonathan Kent and Ian McDiarmid, have given us a new production of Molière's *Tartuffe*. Kent directs, McDiarmid takes the central role of Orgon, and the verse is alive. The way the cast negotiate the rhymes is especially refreshing. The actors use them to add tension and rhythm to a line, frequently lift their voices *up* to hit them, and never like leaden weights. And the rhyme lends an extra stress to the metre that gives buoyancy to each and every line. This has much to do with the 1963 translation by Richard Wilbur, in which natural ebullience of spirit and formal control of style are, as in Molière, beautifully allied.

Since the verse lives, so does the play. It is fun to follow these people expressing themselves. The tension between the bubbling spontaneity of these characters (most of them exasperated by the hypocritical schemings of the loathsome and sanctimonious Tartuffe) and the polished delivery of their verse becomes delicious.

This *Tartuffe* has other virtues, too. It is a sort of sequel to Kent's excellent 1994 Almeida staging of *The School for Wives* (also using a Wilbur translation, and with McDiarmid in a central role). Like that, and again like many Almeida stagings, it is most handsomely designed. Rob Howell's set is compelling: a grandly elegant French baroque interior conceived, surprisingly, on a spiral. His costumes, without fuss, are perfectly in period and in character. All the actors hold the eye well. And this *Tartuffe* is, as it should be, funny.

The word "style", in the lazy sense which people often use it to denote an alluring surface impression, is what this *Tartuffe* – and, again, the majority of Almeida productions – is all about. The accomplishment of the actors, the visual and aural attractions of everything, the fluent and communicative pacing of the action, the vividness of characterisation: all these honour the best British traditions of theatre as few other houses and productions do today.

So I am reluctant to admit that I find this *Tartuffe* lightweight. It passes happily and, having passed, leaves no trace in the mind. What this means is that the Kent/Almeida conception of style is here, as often enough in other productions, too superficial. What most distinguished *his/its School for Wives* was its serious and radiant presentation of the heroine, so that we felt her guardian's plans for her were a form of misogyny, that they were, indeed, a crime against nature. Yet we feel nothing that seriously here. Orgon's gullibility is just daft, and Tartuffe's hypocrisy casts no chill.

McDiarmid's skill with crusty Pantaloon types and his fondness for little over-the-top explosions work jollily in the role of Orgon. Susannah Harker's Botticellian loveliness and Bambi manners work well for his wife Elmire.

Tom Hollander – now wearing his blonde hair way past his shoulders, and casting his eyes heavenward in attitudes worthy of Greuze – is suitably cast as Tartuffe, with his venomous little frog voice (used here often in the quietest tones), his outsize head, his cherub/thug looks. The comedy becomes more incisive with the irrepressibly outspoken Dorine of Diane Bull and the vivid but slightly (amusingly) silly Marianne of Emma Chambers. But everything here is geared to make *Tartuffe* not truthful to life but merely effective as theatre.

At the Almeida Theatre, London N1

Concert/**Adrian Jack**

Mutter and Orkis

The violinist Anne-Sophie Mutter is on a recital tour of 18 European cities with the pianist Lambert Orkis. They reached London's Barbican Hall on Friday and were greeted by a capacity audience. Mutter is always good to watch: elegant and gracious, and at one with her excellent partner. She played a demanding programme entirely from memory and did all her tuning off-stage.

Her programme was almost two recitals – the first half serious, the second entertaining. Brahms's youthful, fiery Scherzo in C minor was followed by Bartók's Second Sonata, sensibly placed early in the evening when the audience's powers of concentration had not weakened. It was a fine, passionate performance of an astonishingly fertile, deeply moving work, which made Beethoven's Sonata in G. Opus 30 no 3, seem all the more innocent and charming afterwards.

The dominating personality after the interval was the glamorous Spaniard Sarasate, whose own playing inspired so much music by other composers. His outrageously seductive *Air bohémiens* and spectacular *Carmen Fantasy* were separated by Wieniawski's atmospheric, gently brooding Legend in G minor – no lack of warmth from Mutter here. As for the flood of soulfulness on the violin's lowest string and fireworks spitting and sparking across the others in both Sarasate medleys, Mutter was on perfect form.

The *Carmen Fantasy* relegated Lambert Orkis very much to the role of scene-setter, but he came unexpectedly into his own with his resounding, mock-pompous announcements of the three encores which tickled everyone including Mutter. For the record, they were Brahms's Second Hungarian Dance, the Hoe-Down from Copland's *Rodeo* and a Heifetz arrangement of Debussy's song, "Beau soir", whose creamy, muted melody sent us floating home on a cloud of contentment.

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INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Radio Kamerorkest: and the Groot Omroepkoor with conductors Ton Koopman and Peter Eötvös perform Haydn's Symphony No.99 and Heiligmesse, and Lutoslawski's Partita and Musique funèbre, In Memoriam Bartók. Soloists include violinist György Pauk, soprano Barbara Schlick, alto Christa Pfeiler, tenor Christoph Prégardien, and basses Maarten Koningsberger and Julian Hartman; 3pm; Apr 27

■ BASLE

EXHIBITION
Kunstmuseum Basel
Tel: 41-61-2710228
● Canto d'Amore. Klassizistische Moderne in Musik und bildender Kunst 1914-1935: exhibition focusing on classicist modernism in music and visual arts. The display features more than 100 paintings, drawings and sculptures from international museum and private collections, as well as musical scores from the collection of the Paul Sacher Foundation. The show includes works by Picasso, Matisse, De Chirico, Dali, Bonnard, Maillol and Léger; from Apr 27 to Aug 11

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Das Orgelwerk Johann Sebastian Bach: Organo con stromenti: organist/harpsichordist Joachim Dalitz and flutist Robert Lerch perform J.S. Bach's Concerto for Organ in C major, BWV 594, Sonata for Flute and Organ in E major, BWV 1035 and Sonata for Flute and Harpsichord in B minor, BWV 1030; 7.30pm; Apr 27
OPERA
Komische Oper Tel: 49-30-202600
● Die Entführung aus dem Serail: by Mozart. Conducted by Shao-Chia Lü and performed by the Komische Oper. Soloists include Johnson, Korovina, Rühmann and Conrad; 7pm; Apr 26

■ BIRMINGHAM

CONCERT
Symphony Hall
Tel: 44-121-2123333
● The Japan Philharmonic Orchestra: with conductor Jun'ichi Hirokami and pianist Andrei Gavrilov perform works by Mozart, Rachmaninov and De Falla; 8pm; Apr 26

■ BONN

CONCERT
Beethovenhalle
Tel: 49-228-631321
● Ensemble Florilegium: and cellist Pieter Wispelwey perform music by Von Potter and Haydn; 8pm; Apr 27
OPERA
Oper der Stadt Bonn
Tel: 49-228-7281
● Fidelio: by Beethoven. Conducted by Steven Sloane and performed by the Oper der Stadt Bonn. Soloists include Kathleen McCalla and Alex Stebliank0; 8pm; Apr 26

■ DUBLIN

CONCERT
National Concert Hall - Ceoláras Náisiúnta Tel: 353-1-6711888
● David O'Doherty and Deborah Kelleher: the violinist and pianist perform works by R. Schumann, J.S. Bach and Ravel; 1.05pm; Apr 26

■ EDINBURGH

EXHIBITION
Scottish National Gallery of Modern Art Tel: 44-131-5568921
● The British Art Show 4: the Gallery of Modern Art is one of the seven venues in Edinburgh hosting this exhibition, presenting around 100 works by 26 contemporary British artists. The display features work in a variety of media, including painting and sculpture, but also gives prominence to the current interest in video projection, sound-based work and film installation; to Apr 28

■ GENOA

OPERA
Teatro Carlo Felice
Tel: 39-10-589329
● L'Italiana in Algeri: by Rossini. Conducted by Yoram David and performed by the Teatro Carlo Felice. Soloists include Sonia Ganassi, Ruggero Raimondi, Bruce Ford and Bruno Praticò; 8.30pm; Apr 27 (4pm), 28 (3.30pm), 30; May 2, 3

■ LILLE

CONCERT
Nouveau Siècle
Tel: 33-20 12 82 40
● Premières Rencontres Internationales de piano Robert Casadesus: with conductor Reynald Giovaninetti and the Orchestre National de Lille. Soloists include the pianists Giovanni Bellucci, Evelina Borbei and Philippe Giusiano. The programme includes works by Mozart, Liszt, Saint-Saëns and Chopin; 8.30pm; Apr 26

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6388891
● The London Soloists Chamber Orchestra: with conductor David Josefowitz, soprano Jeni Bern, tenor Mark Milhofer, baritone Giles Davies, and pianists Dennis Lee and Chee-Hung Toh perform works by Mozart, Saint-Saëns and Prokofiev; 7.30pm; Apr 26
OPERA
London Coliseum
Tel: 44-171-8360111
● Orfeo: by Monteverdi. Conducted by Nicholas Kok and performed by the English National Opera. Soloists include Guy de Mey, Sarah Connolly and Nerys Jones; 7.30pm; Apr 26
THEATRE
Barbican Theatre
Tel: 44-171-6388891
● The Taming of the Shrew: by Shakespeare. Directed by Gale Edwards and performed by the Royal Shakespeare Company. The cast includes Josie Lawrence; 7.15pm; Apr 26, 27 (also 2pm) , 29, 30

■ NEW YORK

CONCERT
Carnegie Hall Tel: 1-212-247-7800
● Orchestra of St. Luke's: with conductor Roberto Abbado and pianist John Browning perform works by Bartók, Mozart and R. Schumann; 8pm; Apr 27
OPERA
Metropolitan Opera House
Tel: 1-212-362-6000
● La Bohème: by Puccini. Conducted by Simone Young and performed by the Metropolitan Opera. Soloists include Angela Gheorghiu, Karita Mattila and Roberto Alagna; 0.30pm; Apr 27

■ PARIS

EXHIBITION
Centre Georges Pompidou
Tel: 33-1-44 78 12 33
● Le Design Japonais 1950-1995: exhibition focusing on the contribution of Japan to contemporary design. The display also shows the changes the Japanese way of life and technology have gone through over the last few decades; to Apr 29
OPERA
Théâtre du Châtelet
Tel: 33-1 42 33 00 00
● Elektra: by R. Strauss. Conducted by Daniel Barenboim and performed by the Deutsche Staatsoper Berlin. Soloists include Deborah Polaski, Falk Struckmann, Reiner Goldberg and Gerd Wolf; 7.30pm; Apr 26

■ STOCKHOLM

OPERA
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● Aida: by Verdi. Conducted by Maurizio Barbacini and performed by the Royal Swedish Opera. Soloists include Anders Lorentzson, Pauletta de Vaughn and Jerker Arvidson; 7pm; Apr 26

■ THE HAGUE

FESTIVAL
Haags Gemeentemuseum
Tel: 31-70-3381111
● World Wide Video Festival: 14th edition of this international festival, featuring more than 150 videos, CD-Roms, CD-i and Internet productions. Also 15 installations are displayed, including works by Irit Batsry, Beth B, Henning Lohner and Fabrizio Plessi; from Apr 27 to Jun 2

■ VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Diana Vizvary and Raluca Stirbat: the pianists perform Brahms' Variations, Op.21, Fantasies, Op.116 and Sonata in F sharp minor, Op.2; 7.30pm; Apr 26

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Financial Times Business Tonight

Samuel Brittan

Comparisons are odious

The art of exploiting economic league tables for political purposes lies in the choice of indicator, period of years and countries under examination

Most advanced industrial countries enjoy similar advantages and face similar problems. Yet instead of confronting the latter boldly, politicians have an inveterate habit of focusing on small differences between one country and another and claiming that these are what matter.

The countries of the European Union, for instance, are plagued by a common problem of high unemployment and under-used human resources. Whether one country has a slightly higher or lower unemployment percentage than another is much less important – and is in any case very hard to determine even after the best efforts of international statisticians.

Yet international economic league tables are still popular with politicians. They were first made fashionable by Harold Wilson in his days as Labour financial spokesman in the late 1950s. During the more rapid changes of government in the 1960s and 1970s a little less was heard of them. But they came back in the long boom of the 1980s, when they were used by the Thatcher government. Now Labour has taken up these tables again.

At the end of last year the party published an advertisement entitled World Prosperity League in which the UK was ranked as 18th. The caption said "If you'd slumped to 18th, wouldn't you get new management?" The remedies suggested were the expected mix of New and Old Labour.

In a Commons speech Mr Kenneth Clarke, the chancellor, retaliated with another league table provided by the Treasury. This showed the growth performance between 1981 and 1993 of a smaller number of countries, the Group of Seven leading industrial nations. Using estimates by the Organisation for Economic Co-operation and Development, it compared the low point of the earlier business cycle with the low point of the recent one. The results were more reassuring. Japan led the league – its recent deflationary experiences came too late to affect the comparisons – but the UK tied with Germany for second place.

Accordingly, and with the indispensable help of Keith Fray of the Financial Times statistics department, I have tried to replicate the estimates of both the Labour party and the government. Contrary to what extreme cynics might suppose, they are both honest pieces of workmanship. But the politicians who inspired them were obviously interested in comparisons which showed British performance in respectively the worst and best light.

The Labour advertisement ranked countries by gross domestic product per capita measured at exchange rates adjusted for purchasing power parity – but without indicating how large the differences were. The estimates we obtained from the OECD corresponded closely to Labour's.

The main difference is that the 16th and 17th countries on Labour's list, Hong Kong and Singapore, are not included as they do not belong to the OECD. But it is not worth quibbling over the matter. Who would want the repressive Singapore style of government for the sake of one or two dubious points on GDP? Or live like Hong Kong in the knowledge of an imminent takeover by the Chinese communists? In addition the full OECD list includes countries such as Turkey, Mexico and Greece which are still emerging economies. They contributed to the tail-end of the league, which Labour – quite legitimately – cut off.

It does not help the government if we follow the Clarke route and confine ourselves to the G7. For the UK comes out bottom of the G7, behind Italy which overtook the UK when its statisticians found a way of incorporating the black economy – an achievement known as "il sorpasso".

There are some puzzles in the GDP table. For instance Luxembourg emerges with a much higher national income level than the US. The Grand Duchy is indeed a green and pleasant land (when the sun shines). But how much of its GDP is accounted for by the disproportionate number of European Union institutions and their personnel there – and by German banks taking advantage of the looser regulatory regime?

One also wonders if Austria really has a higher GDP per head than Germany and Italy, or a higher one than the Netherlands. But to push these questions is to put more weight on them than they can bear. The large EU countries are within an index range of 100 to 111.5, which puts them largely in the same ball park.

If, however, we follow the UK chancellor and turn our attention to rates of change, his estimates are also validated. There is a very slight difference in that Germany registered 2.1 per cent growth in the OECD estimates we obtained, compared with the chancellor's 2.0 per cent. But this tiny discrepancy may well be a matter of rounding or revisions. In any case Germany's very sluggish recovery will by now have reduced its average long-run growth rate to Britain's rate, if not below.

It is the addition of more countries which really makes the British growth rate less impressive than in Mr Clarke's account. The UK growth rate was indeed higher than the European Union average and slightly higher than the average of the G7. But the inclusion of countries such as Ireland, Turkey, Portugal and Spain takes the UK down to ninth place in a league table of 25.

Here perhaps is the root of the matter. The countries which have grown most rapidly are those which have rather low absolute levels of GDP per head and therefore the greatest opportunities for catching up. The US, with the second highest per capita GDP, is below the middle of the growth league. Ireland which is well down near the bottom of the GDP per head league, experienced the highest growth rate of all.

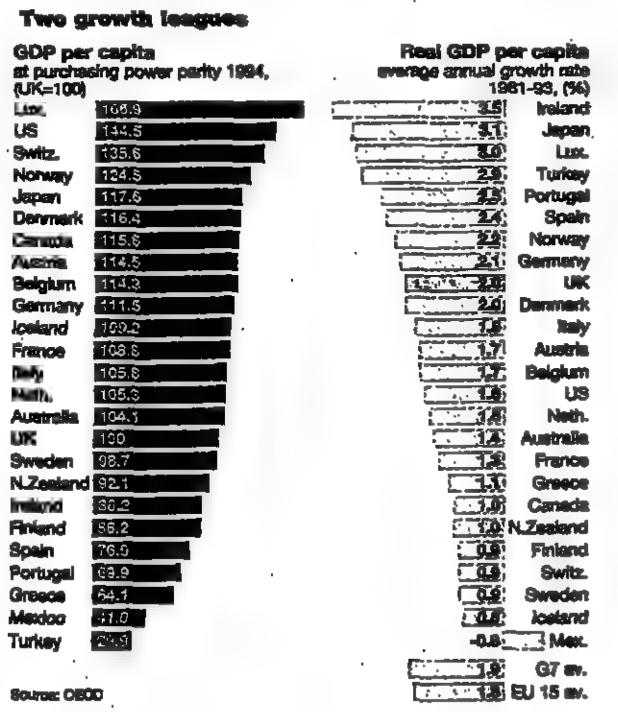
Portugal and Turkey, which have very low per capita GDP levels, are now high in the growth league. The UK has been a less extreme example of such catching-up. But, with the lowest GDP per head of the G7, it has had ample opportunities, some of which it has used. (It fell behind on the Labour computation partly because of the differing starting point.)

But let us not exaggerate. Even if the US were to stop growing altogether, it would take Britain about 15 years to catch up on GDP per head. Given actual growth rates, the catch-up process could take virtually a century.

These are of course only tendencies. Relative starting points do not explain everything. The blessed Luxembourg is near the top of the growth league as well as at the top of the GDP league. So is Japan; but that simply shows the folly of basic conclusions on comparative statistical studies which cannot really take in the record of the very latest years.

The serious discussion is not about the league tables. It is on whether Britain under the Thatcher government made significant inroads into union power, made labour markets more flexible and weakened the benefit culture – matters that other European countries have still to tackle. Labour is entitled to reply that any such gains were made at the expense of a shift to an American style labour market. This, it is said, not only squeezed the position of the poor, but increased anxiety all round and weakened the trust and loyalty necessary for long-term performance.

These matters need more than the space of an Economic Viewpoint for a proper airing. But by this stage the reader will hardly need to be told that my vote will not be decided by the league tables – or even by economic issues at all.



BOOK REVIEW: Robert Peston

WHAT NEEDS TO CHANGE, New Visions for Britain
Edited by Giles Radice
HarperCollins, £14.99

The way out of a political vacuum

Tony Blair has played a formidable game since he took over the leadership of the Labour party almost two years ago. He has ditched much of the ideological baggage which made the party unelectable in the 1980s and enters what may turn out to be the longest general election campaign in history – with votes cast possibly as late as next spring – well ahead in the opinion polls.

But as Newcastle United football club knows well, an apparently decisive lead early in the season can evaporate. The Conservative party is a formidable election-winning machine and in the campaign's closing stages it will launch an advertising blitz designed to reawaken the atavistic fear among many voters that Labour is the party of high tax and interfering government.

Mr Blair has pre-empted the negative campaigning by redefining his party in terms of what it is NOT. It is NOT controlled by the unions any longer. It is NOT the enemy of business. It does NOT believe in high taxes or high public spending. It is NOT on the left.

This approach has been coupled with ruthless control of the statements made by himself and the shadow cabinet. There should be no hint of disunity and no departure from agreed party policy.

As a result, newspapers and television have become obsessed with the mechanics of policy-making rather than the policies themselves. And there is a widespread perception that his shadow cabinet colleagues are less important than his media advisers, such as Alastair Campbell, his press secretary, and Peter Mandelson, Mr Blair's *eminence grise*.

This autocratic approach may therefore be self-defeating. Any departure from published policies is immediately seized on by journalists and presented as an appalling own goal or evidence of some sort of crisis at the top of the party.

It is also a problem in a second sense. Without a proper public debate, the party cannot hope to excite the electorate with a positive vision or win the battle of ideas.

Mr Blair is aware of the problem. "One of the most corrosive aspects of political debate is the use of negative campaigning which makes a rational discussion of serious issues difficult," he writes in the introduction to this collection of essays by journalists, politicians, academics and business people offering policy prescriptions for a new Labour government. "If somebody connected with the Labour party writes or says something controversial, then the Tories will misrepresent it, especially during the election campaign, as Labour party policy."

The contributors are a disparate bunch – many of them not avowed Labour supporters. They include Charles Handy, the management guru, David Sainsbury, the chairman of the supermarket chain, Stephen Tumim, the former chief inspector of prisons, Peter Hennessy, the politics professor and Whitehall historian, and Geoff Mulgan, director of Demos, the think-tank, and doyen of the younger generation of policy wonks.

Perhaps surprisingly, there is a consensus about problems and cures. Disillusionment with politics and economic insecurity are the common themes. One remedy that runs through the collection is constitutional reform based on notions of subsidiarity, devolution and federalism, to give the electorate a greater sense that it has a voice. Another is an overhaul of the social security system to take account of the growth of part-time working, early retirement and the recurrence for many people of temporary periods of unemployment. Such reform would also seek to end the pernicious division between families with two breadwinners and the burgeoning number of those with none, discouraged from entering the workforce by the fear of losing benefit entitlements.

But if the book has a big idea, it is education and the opportunities for long-distance learning and personal tuition offered by harnessing information technology. A chapter combining idealism and practical recommendations is by Tim Brighouse, Birmingham's chief education officer. His blueprint for leapfrogging other countries' education systems is based on forming partnerships between different schools and between schools and parents, all aimed at raising standards.

However the book does not get to grips with the question of the cost of change. The authors generally eschew any plan with massive public spending implications, presumably knowing full well that Mr Blair would throw it out. But there are plenty of ideas which would circumscribe personal and corporate liberty in the interests of "social cohesion".

Mr Blair remains vague on costs. He is unwilling to commit his party to higher tax rates and additional pensions contributions or to compelling companies to act in the interests of employees as well as shareholders.

This vacuum in a sense indicates the extent to which the Tories are still setting the agenda. In the 1980s, voters were enraptured by individualism. Mr Blair still cannot be confident – in an atmosphere of disillusionment with all political parties – that they will now opt for a party which says that individual rights are matched by legally enforceable duties. This book, with its healthy mixture of utopianism and practical advice, may help to build that confidence.

What Needs to Change is available from FT Bookshop by ringing FreeCall 0500 418 419 (UK) or +44 181 964 1251 (outside the UK). Free p&p in UK

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Case for a museum of architecture

From Mr Jeffrey Jahns.

Sir, Your article concerning the exhibition of work of British architects at the Art Institute of Chicago closed by lamenting the lack of a museum space devoted to Chicago architecture ("Britain's finest pose challenge for Chicago", April 9). There are spaces that are devoted to this subject, namely the Chicago Cultural Center's architecture galleries and the Chicago Architecture Foundation Gallery, but a case can be made for significant space dedicated to a permanent exhibition on that subject.

In the meantime, Chicagoans and visitors will have to limit themselves to the originals. The Chicago Architecture Foundation, located in the Burnham-designed Santa Fe Building (Railway Exchange) across Michigan Avenue from the Art Institute, offers more than 50 regularly scheduled architecture tours (some three times a day), with scores of special tours in addition. More than 100,000 participants are served by these tours each year. Indeed, one of the mottoes of the Chicago Architecture Foundation is "The city is our museum". No visitor will go unsatiated by these walking (or bus, "El", bicycle or boat) tours.

Jeffrey Jahns,
trustee, Chicago Architecture Foundation,
55 East Monroe Street,
Suite 4200, Chicago,
Illinois 60603, US

Route for Berlusconi to quit politics

From Dom Serafini.

Sir, Your analysis on the Italian election results ("Beneath the olive tree", April 23) is right on target, but not wholly accurate. If Massimo D'Alema, who runs the leftist PDS, could have proposed earlier the TV reform plan that only recently he was able to advance, Silvio Berlusconi's conflict of interest could have been solved a year ago.

Privatisation of state-owned telecommunications enterprises will contribute to getting Berlusconi out of politics.

Once D'Alema has taken the necessary steps to protect Berlusconi's media empire, Berlusconi will bid farewell to politics for a chance to bid for parts of the state telecommunications group, including telephony and cable.

D'Alema TV reforms will also allow Berlusconi to give up his third TV network (it inflates his commercial time inventory without properly amortising his programme library) and will revitalise RAI.

Dom Serafini,
editor,
Video Age International,
216 East 75 Street,
New York, NY 10021, US

Out of touch with French economic reality

From Mr Don Montague.

Sir, Stephen Bazen and Mark Taylor, economists writing from an ivory tower in Bordeaux University (Letters, April 6), seem curiously out of touch with economic realities.

The "minimum wage" in France is *le SMIC horaire*, defined as an hourly rate of FFr36.98. According to them, fewer people (8 per cent) earned the minimum in 1994 compared with 1989 (12 per cent), but what does this mean? Between 1989 and 1994 the *SMIC* rose considerably, and the number of unemployed and the number of hours they worked in France also changed.

Perhaps Bazen and Taylor should have consulted L'Institut de Tripotage. In a recent report, it pointed out that if the minimum wage you can pay a part-time gardener in France is FFr36.98 an hour, plus nearly 80 per cent compulsory social security contributions and holiday pay (i.e. nearly £9 an hour), not many people are likely to employ them other than "on the black".

The fact that there are tax allowances for the cost of employing gardeners and home helps is little encouragement to the majority of the French, who are not liable to income tax anyway.

In the real world, if the minimum cost of hiring someone is set high enough, most potential employers will leave the job undone, do it themselves, or try to find someone to do it on the black at a lower rate. I do my own gardening.

Don Montague,
Les Arbres,
Seres-et-Montguyard,
24500 Eymet,
Dordogne, France

Hard to alter pension pattern in Germany

From Mr Norman Bernard.

Sir, Your otherwise excellent article "The storm on the horizon" (April 9) skated over the third arm of pension provision in Germany, the book reserves held on companies' balance sheets. The firewalling and the actual level of these reserves are increasingly looking inadequate for the employees but moves towards externally funded schemes are rare. We highlighted this in research we carried out with AMP (Asset Management) looking at corporate pension provision in Germany, Netherlands and the UK.

Corporations benefit from the tax shelter and cheap captive funding. It will take strong measures to make them hand the cash over to external fund managers.

Norman Bernard,
director,
First Consulting,
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No satisfactory way to amend clause in UK asylum bill

From Mr Sukhdev Sharma.

Sir, It was extremely heartening that the Financial Times, alone among the major broadsheets, reported ("Plans for immigration changes attacked", April 17) the findings of the Glidewell Panel on the Asylum and Immigration Bill, followed by a leading article ("Whitelisting", April 18) which called upon the House of Lords to defeat this measure. The vote in the House of Lords on Tuesday night was, perhaps, a first step towards this.

When you reported the government's response to the Glidewell Panel's strong criticisms of the bill, you included a comment from the Home Office that the Commission for Racial Equality is assisting the government in planning the implementation of the employment provisions.

The commission has stated clearly and unequivocally to the Home Office, to the Glidewell Panel and to MPs and peers, our opposition to the proposals in the Bill to make it a criminal offence to employ certain groups of "immigrants". We do not believe the clause in question can be amended or diluted in any way which will prevent it from increasing the barriers to employment for ethnic minorities.

If, however, parliament enacts the bill with such a provision, then we would have a duty to advise the government as to how to minimise its discriminatory impact. To this end, we are giving preliminary consideration as to how this can be done.

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FINANCIAL TIMES

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Thursday April 25 1996

Shockwaves for the MMC

Yesterday's decision by Mr Ian Lang, trade and industry secretary, to block two proposed takeovers in the electricity industry is one of the most momentous events in the history of UK competition policy. His decision is both bold and right. It will also have enormous effect on the industry's structure and ownership. Even more important, in rejecting the view of the Monopolies and Mergers Commission that the deals should be approved, subject to several conditions, Mr Lang has cast the role and competence of that body into question.

The bids by PowerGen for Midlands Electricity and by National Power for Southern Electric have been the most controversial in the wave of electricity takeovers. They would have integrated the large generators with regional distribution monopolies. There was concern that this could push up prices to customers and undermine competition in generation.

In taking the decision, the first time the government has blocked the takeover of a regional power company, Mr Lang said that the Office of Fair Trading and Offer, the industry regulator, had recommended the bids be blocked, as had one member of the five-person commission panel.

Mr Lang said that he did not regard vertical integration as necessarily damaging. But at this stage of the industry's development, the deals would be against the public interest, for reasons identified by the commission.

One concern is that the deals could make entry by independent generators and suppliers more difficult. The takeovers, the commission says, would reduce the market for hedging supply contracts between generators and suppliers, and so expose them to greater financial risk than at present.

Questionable belief

The commission dismisses the widespread concern that a vertically integrated distributor would pass through higher generating costs to customers. Its belief that competition in generation is sufficient to prevent this occurring is questionable. But it does accept perhaps the most important concern: that the deals would make the regulator's job of supervising distribution and preventing cross-subsidies far more difficult. Its suggested conditions – in particular, giving the regulator extra powers to monitor distribution – do not answer that worry.

For those reasons, Mr Lang has made the right decision. He is also right that the growth of competition in generation should remove some of the concerns. However, the difficulties in ring-fencing distribution and in securing the regulator's access to information will remain; he may therefore have been rash to imply that such deals may eventually be harmless.

Different path

The industry's restructuring will now continue on a different path. In particular, the way is now open for foreign takeovers of the generators; National Power is being pursued by the US utility Southern Company. Mr Lang is to be commended for not letting the political sensitivity of foreign bids affect his judgment.

He should now turn his attention to the commission. The government has already mooted a radical overhaul of the UK's competition policy and authorities in an intelligent and ambitious consultation paper last month. If the legislative timetable permits no progress on these measures, as seems likely, Mr Lang should tackle the commission's shortcomings directly.

The central flaw revealed by this episode is the pro-business instincts which MMC panels sometimes display, in putting the interests of "national champions" above those of consumers. The commission's chairman, Mr Graeme Odgers, who chaired this panel, has made clear his sympathy for the view that a large share of the domestic market can help a company compete abroad.

Commission panels should be comprised of people capable of assessing the complex issues of economics, law and public policy on which recommendations turn. They should recognise precedents set by previous panels. For Mr Odgers part, this debacle should prompt him to reconsider his apparently lukewarm interest in stimulating competition. He should reaffirm his commitment to that principle.

Germany turns to tri-apartism

Chancellor Helmut Kohl has staked his political reputation on finding a consensual route out of Germany's economic crisis. A few months ago it looked as though he might find one. But those hopes are fading fast.

Back in February, Mr Kohl's ability to broker a deal between employers and unions on the vexed question of pension reform was hailed as a sign of more to come. Against the odds, Germany's social partners could still resolve their differences when the long-term health of the economy depended on it.

The collapse, late on Tuesday night, of the most recent round of tripartite talks, aimed at agreeing urgently needed public spending cuts and at reforming workers' rights, puts this rosy outcome in doubt. Mr Kohl will do all he can to keep the three legs of the tripartite stool together, but both the trade unions and the employers seem increasingly determined to go their own way.

Mr Hans-Olaf Henkel, president of the Federation of German Industry (BDI), does not speak for all employers when he decries, in today's FT, Mr Kohl's attempted consensus-building as a waste of time. Other employer associations, whose members spend more time actually bargaining with unions than those of the BDI, still favour social partnership over opposition. Yet there is no denying the shift in Mr Henkel's direction in recent months.

Deeper structural forces

Large numbers of small and medium-sized companies have increasingly been looking for informal – not to say illegal – ways to tackle uncompetitive labour costs. If the economy continues to perform poorly, many others are likely to follow suit. True, tripartism might come back into favour among employers if, as the Bundesbank suggested yesterday in its annual report, the economy revives in the second half of the year. But, as is true of the economy more generally, there are deeper structural forces pushing employers to change their ways.

The trade unions' traditional, constitutionally-guaranteed, role in corporate decisions was predicated on managers serving interests other than those of shareholders. This, in turn, was possible as long as Germany's bank-dominated system of patient ownership survived. But, increasingly, corporate leaders and investors are urging a greater focus on "shareholder value".

Germany's vaunted "stakeholder" system of corporate governance will not be overturned overnight. But a raft of small and large companies, including Daimler-Benz and Deutsche Bank are introducing executive share-option schemes. In theory at least, these would ally managers' interests more closely to shareholders' and, by implication, divide them further from the interests of workers on the shopfloor.

Consensual tradition

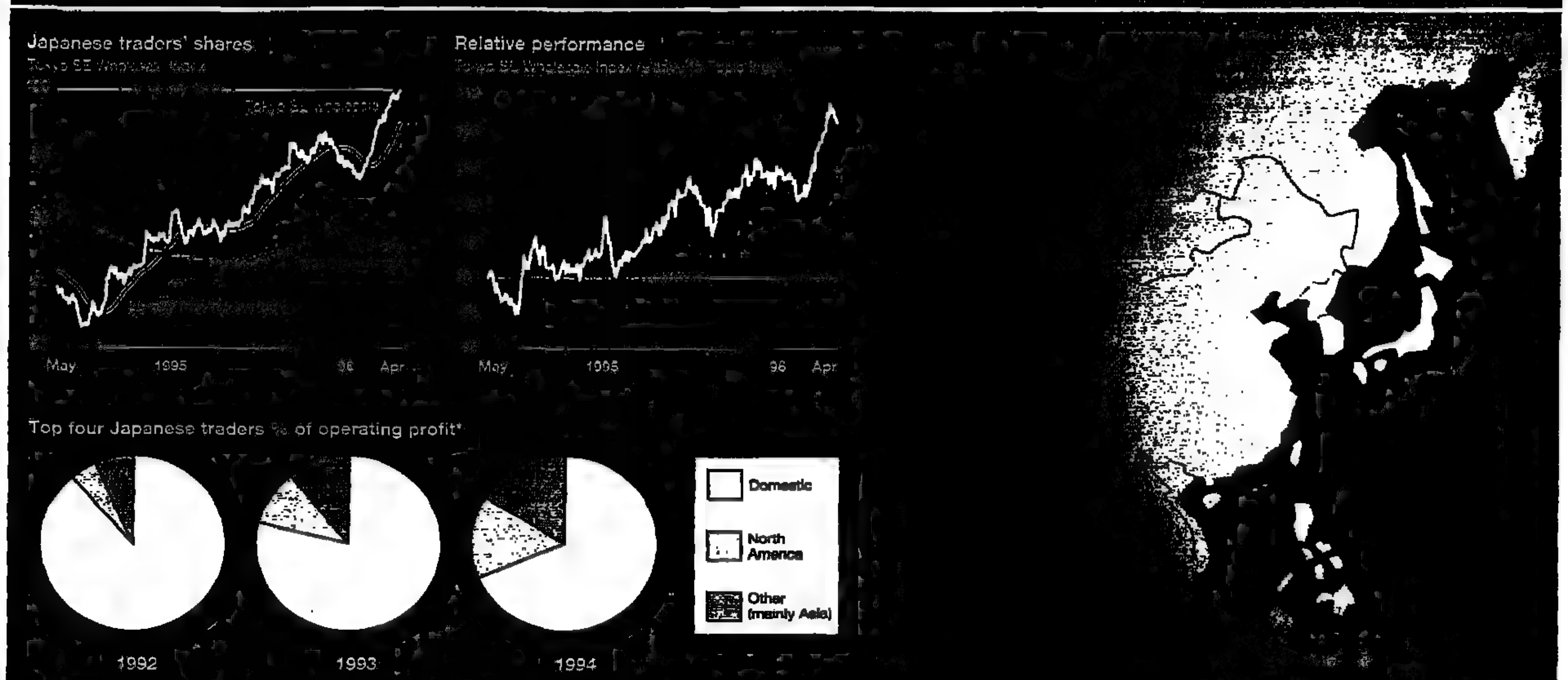
The unions are unlikely to take any of this lying down. Yet, to judge by events of the past few days, they too may bypass the old tripartite structure in defending their position. In the wake of Tuesday's failed discussions at the Chancellery, several union leaders have been wondering aloud whether they should bother going to such meetings any more.

In their view, Mr Kohl's apparent decision to take the employers' side was a betrayal, not merely of the unions, but of the consensual tradition. Public sector unions are similarly outraged by the government's proposal for a wage freeze in the public sector pay negotiations, which begin today.

Mr Kohl cannot afford to give in to the unions on either front. His hopes of Germany qualifying for monetary union rest on his finding a way to plug a DM75bn (£33bn) hole in next year's budget, of which DM20bn is to come from the freeze on public sector pay.

Against a backdrop of meagre private sector wage growth and 4m unemployed, the unions may decide they have little to gain from taking to the streets to defend a pay rise for the most secure members of the German workforce. That, at least, must be Mr Kohl's hope. But the cracks in the tripartite system revealed this week will be increasingly difficult for even him to paper over.

Japan's leading trading companies: the focus on Asian markets



A foot in east Asia's doors

Japanese trading companies are moving away from their traditional business and looking to their neighbours, says William Dawkins

Japan's general trading companies, only recently derided by western competitors as sleepy giants, are quietly but effectively staking their claims to the fast-growing emerging markets of Asia.

In common with other sectors of the Japanese economy, they have sought to reinvent themselves in recent years and are trying to move away from the low-margin, export-import business of the past.

Hardened by five years of falling sales and stagnant or declining profits, they are becoming nimbler and more entrepreneurial organisations, merchant Samurai taking on new activities from project finance to joint-venture manufacturing.

The Japanese traders' newfound aggressiveness is focused above all on their own neighbourhood. They are leading the exodus of Japanese industry into lower-cost locations in east Asia, and making an important contribution to the economic development of such countries as China, Burma and Vietnam. They bring with them the philosophy behind Japan's mixed economy, with its flexible balance between state guidance and market forces.

The profitability of the Japanese traders' Asian assault is as yet unproven, and they still earn most of their profits from their humdrum domestic operations. But their activities will shape the region's development.

"Formerly our business was to export and import from the Japanese market. But now that Japan is growing more slowly, we are looking to supply emerging markets in Asia. We have to diversify, otherwise we cannot survive," says Mr Akinori Seki, strategic manager for Marubeni. The group was once a specialised textiles trader, but is now expanding into Chinese oil exploration and Burmese steel-making.

"We have learned that it is no longer enough to be mere intermediaries. We must also be manufacturers, investors and developers of natural resources," says Mr Hiroshi Matsushima, general manager of planning for Sumitomo Corporation.

The traders began in the 17th century as simple export-import businesses, earning thin margins on high volumes. They started to change strategy, in search of profits rather than sales growth, in the early 1980s and the process has been accelerated in recent years by the need to compensate for recession at home.

Mr Jason James, an equity strategist at James Capel Pacific, says the shares of the trading companies are valued largely for their new, diversified investments, not for their core trading business. "Some of them are beginning to look like conglomerates, or almost investment banks, rather than traders," he says. Trading companies' share prices have on average risen 61 per cent since hitting a trough last June, more than the market as a whole over the same period.

The activities of Mitsui, one of the top two traders, are typical of the new flair that has begun to attract stock market investors. It has just started making steel bars in Vietnam and will next year open what will be the largest plastics plant in that country. Both projects are contained in a master plan for industrial policy, drawn up for the Vietnamese government four years ago by none other than Mitsui.

Itochu, the trading company with the largest exposure in China, late last year put together a takeover which enabled Japan's Asahi Breweries to become China's largest brewer. The deal originated at a party, when canny Itochu executives learned that their host – the owner of an Indonesian conglomerate – wanted to sell his stake in a Chinese brewing company.

These deals are typical of the new kind of business being done by Japanese trading companies throughout Asia. During the decade to 1994 turnover from non-trading activities rose from a few per cent of total sales to one fifth.

The techniques the traders have used to get their feet into doors across east Asia are as varied as the region's economies. But they share a common theme. In most cases, the traders have sought to squeeze more out of existing assets, such as the intelligence gathered by their vast sales networks, under-used finance departments, and links with banks and industrial companies which are fellow members of their individual *keiretsu*, the diversified Japanese corporate families. "We have 155 subsidiaries, each with tremendous local market expertise. The big question is how to utilise this now that Japanese production is no longer competitive," says Sumitomo's Mr Matsushima.

The most common strategy, followed by all Japan's traders, is to form joint manufacturing ventures with Asian public-sector companies or private investors, often overseas Chinese. The traders will supply materials to the new company, whether it be a Chinese toy manufacturer or Indonesian ethylene plant, and then distribute the finished goods.

All have been quickly building joint ventures across the region. Itochu, for example, has doubled its Asian joint ventures over the past five years to 350, of which 180 are in China. Mitsubishi Corporation opened 30 projects in China last year, bringing the total to 90. Most of those are geared to supplying Asian markets, rather than selling back to Japan as would have been the case in the past, says Mr Toyokazu Masuda, Mitsubishi's general manager for China.

Another method of making money has been the establishment of investment funds, in which the trading company will place its own cash alongside Asian corporate investors. They aim to make capital gains from buying and selling stakes in businesses, as well as exploit relationships with the target companies to help obtain conventional trading contracts.

Mitsubishi led the way, with the establishment of a merchant banking unit last April, partly inspired by the wish to repeat elsewhere the Y17.6bn capital gain it netted from the sale of a stake in a US graphite electrodes business the previous year. The group launched an Asian venture-capital fund at the turn of the year, an example followed in the region by Mitsui, Marubeni and Sumitomo. The actual sums invested so far are very small. But the aim, says Mr Takeshi Kadota, deputy general manager of Mitsubishi's merchant banking department, is to add value by seeking alliances with members of the group, as well as go for capital gain.

Infrastructure development is another of the traders' new fields. Like other investors in emerging economies, Japan's traders have often found that poor distribution and erratic power have hampered opportunities. Rather than wait for host countries to bring infrastructure up to scratch, they have done it on a small scale themselves, by building industrial parks and distribution facilities, tenanted by Japanese industrial groups, often from the same *keiretsu*.

One of the first was a Mitsui industrial park north of Bangkok, the Thai capital, opened in the early 1980s. Its first big tenant was Toshiba, the electronics group which is part of the Mitsui *keiretsu*. Mitsui has since repeated the pattern in the Philippines and China, and has just received approval from the Burmese government for an industrial park near Rangoon. Similar parks, with distribution terminals attached, are dotted across east Asia, created by other traders including Marubeni, Sumitomo and Mitsubishi.

The traders are also trying an old technique used by industrial and construction companies in the emerging economies of Africa and Latin America in the 1980s. The technique, know as build-operate-transfer, is increasingly popular in Asia. It involves building a plant or road, retaining the right to operate it for a while, usually up to 30 years, and then transferring it to the host country at the end of the contract. This makes the project more affordable for cash-strapped governments and, in the case of power plants, compensates for shortages of local skills.

Marubeni is the first Japanese trader to have tried this in Asia, with a power plant in the Philippines five years ago and is working on a project to build a plant in in Guangzhou. Nissho Iwai and Itochu are also becoming more active in this business.

It is a risky field, since a government can easily be replaced during the life of a contract by one less friendly to foreign companies. Some countries such as Vietnam lack the legal framework to guarantee complex contracts. But, as Marubeni's Mr Seki points out, fainthearted bidders will only lose out to US competition for this kind of contract, an area of US expertise.

All these techniques have required some traders to give local management an increasing amount of autonomy. This is a break with a previously centralised system in which regional managers were required to report in person to Tokyo, sometimes as often as once a month, to consult superiors. Nissho Iwai opened a regional headquarters in Bangkok 18 months ago, Marubeni is considering following suit, and Sumitomo is in the process of transferring authority for Asian investments from Tokyo to Singapore and Taiwan. The others have preferred to keep management power in Tokyo for the time being.

Japanese traders' Asian diversifications remain a small proportion of their activities. The top five companies still derive more than two-thirds of their operating profits from their core Japanese exporting and importing business.

Even so, they have quickly emerged as a force to be reckoned with in Asia's emerging markets and as such will influence the economic development of the world's fastest-growing region.

· OBSERVER ·

Big hitters bowled out

■ CS First Boston naturally wanted to put its best foot forward in bidding to advise the Hungarian government on the privatisation of Magyar Hitelbank, Hungary's largest commercial bank. So it rolled out its big hitters – David Mulford and Ian Molson, the chairman of its European operations and the co-head of investment banking.

Big mistake. Mulford, US Treasury under-secretary of international affairs in the Bush administration, is a US citizen. And Molson, though he has spent most of his adult life in London, is by nationality Canadian, a scion of that country's Molson brewing dynasty.

So what? Modern investment banks are increasingly international organisations. Try telling that to the officials running *Phare, the EU aid programme* financing the advisory work. They are about to disqualify CS First Boston from the Hitelbank tender because Mulford and Molson are not EU citizens.

Wrong, I guess

■ Nothing is ever as it seems in Russia; the pervasive sense of unreality is all the greater concerning the death of Dzhokhar Dudayev, the rebel Chechen leader.

Moscow is now full of conspiracy theories. One of the more *persistent* says reports of Dudayev's death are exaggerated; he will soon re-emerge as the personification of indestructible Chechen resistance. Another suggests he had simply lost the will to fight, and was creating a smokescreen to flee the country. Yet another argues that the *Russian authorities, previously so* inept at apprehending the country's leading "bandit", had assassinated Dudayev to accelerate the peace process before June's presidential elections. The Kremlin seems to believe that other Chechen leaders will prove less recalcitrant.

Of course, Russia being Russia, we will perhaps never know the full truth. The trouble with even the most convincing conspiracy theories is they assume a degree of planning and execution so conspicuously absent in all other aspects of Russian life. Observer *tends towards a more* universal – if prosaic – explanation of Dudayev's probable death: wrong time, wrong place.

Movie windmill

■ A 30-year quest for a dream team of actors fitted to the starring roles in a film adaptation of the Cervantes masterpiece, *Don Quixote*, seems over. John Cleese has reportedly agreed to take the title role while Robin Williams, box office draw *par excellence*, has agreed to tag along behind as Sancho Panza.

The screenplay has been kicking around Hollywood since it was completed in 1965 by the late Waldo Salt, the formerly blacklisted writer of the movie *Midnight Cowboy*.

Previous proposed combinations have seen Williams teamed with *Sean Connery, and in the mists of* yesteryear, Richard Burton and Buddy Hackett. Resurrection of the *Don Quixote* script is probably little more than Tinseltown's belated awakening to the fact that the huge Hispanic market has tastes extending beyond thud-and-blunder specials.

Kiss and make up

■ There's not been much love lost between Beijing and Jardine Matheson in recent times. But the black sheep of Hong Kong business appears to be returning to the fold. Having been voted off the general committee of the Hong Kong General Chamber of Commerce a few years ago – a move widely seen as the result of its support for governor Chris Patten's democratic reforms – a top executive of the British trading *Hong* has been voted back on board.

The election of Anthony Nightingale, chairman of Jardine Pacific, the trading and distribution arm of Jardine Matheson, has prompted concern that politics could creep back on to the chamber's agenda, ahead of Hong Kong's return to China next year. But the Keswick family, which controls the empire, has launched what seems to be a moderately successful charm offensive towards Beijing. China's top official on Hong Kong affairs has been to lunch, and even suggested that Jardines could *resurrect their Hong Kong listings*.

This still seems a distant prospect; but after the fleecing incurred with Trafalgar House, the group is once again nurturing its roots.

We're sick of beef

■ The mad cow crisis is taking its toll on UK citizens in more ways than one. Two officials from the UK government's Ministry of Agriculture returned to London at the end of Tuesday, much the worse for wear after a beef meeting in Brussels.

Not that they had been beaten up by irate Commission officials, or farmers from 14 other EU countries facing ruin because of Britain's beef problems. Much worse than that – they both had food poisoning, attributed to their airline meal, consumed en route home.

At least they couldn't blame British beef – no airlines on the route serve the stuff any more.

The Financial Times

100 years ago

War scare in Argentina

Mr. Walter Morrison, M.P., chairman of the Argentine Railway Company, said at the annual meeting in London:- "The country suffers from the political position, and especially from the scare which has been going on for more than a year – the war scare, and fear as to whether there will or will not be war between the Argentine Republic and the Republic of Chili concerning the boundary between the two republics in the Andes. I have every hope that war will be averted, but in the meantime a great deal of money is being spent by both republics in the purchase of warlike stores, and this is a very severe burden upon their finances."

50 years ago

Insurance control in France

The French Constituent Assembly has passed an Insurance Nationalisation Bill by 467 votes to 63. Among the principal provisions adopted by the Assembly were: (1) The Bill will enter into force on 1st July. (2) Compensation bonds received by present shareholders will bear 3 per cent gross interest, but in any case will equal *dividends for 1944*. (3) Eleven concerns including 34 companies to be nationalised.

FINANCIAL TIMES
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Spanish parties close to deal to form government

By David White in Madrid

Spain's centre-right Popular party yesterday moved closer to a long-awaited agreement with Catalan nationalists which would clear the way for its leader Mr José María Aznar to form a new government next week.

However, a final deal had not yet been struck at the end of seven hours of negotiations in Barcelona.

The expected agreement would provide Mr Aznar with the extra backing he needs for an outright majority in congress following the general election on March 3.

Mr Rodrigo Rato, chief PP negotiator and likely to be in charge of economic policy in the new government, voiced optimism that an agreement could be announced "in the next few days".

The date for an investiture debate, which Mr Aznar needs to win approval for his political programme, is due to be set tomorrow. Expectations of a political settlement, ushering in a PP government after more than 13 years of Socialist rule, helped push up share prices yesterday. The Madrid general stock index closed at its highest level this year at 358.13, just short of its all-time record.

The parties met after the Catalan coalition Convergència i Unió challenged the PP to come up with improved proposals on regional financing and other demands.

The PP, whose election victory left it 20 seats short of a majority in the 350-member congress, has secured support from four Canary Island deputies. The Catalan coalition, the largest regional grouping, has 16 seats. The PP has also been seeking an agreement with the five-seat Basque Nationalist party.

Negotiations with the Catalans stalled this week after a weekend meeting between Mr Aznar and Mr Jordi Pujol, regional president of Catalonia and CiU leader. However, it became clear yesterday that both sides – which share a free-market economic outlook and pro-European stance – wanted to avoid prolonging the political stalemate beyond the end of the month.

The CiU is expected to ratify the agreement this weekend.

Mr Pujol has sought concessions on regional issues to placate Catalan nationalist voters, many of whom are hostile to the PP. However, Catalan business circles have been anxious for an agreement enabling a PP government to press ahead with plans for further liberalisation of the economy and reduction of the public sector deficit.

Yesterday's negotiations centred on plans for implementing a new financing system for Spanish regions, transferring road-traffic control to Catalonia's regional police, and abolishing central government appointed provincial "civil governors".

The financing system would increase regional governments' the share of income tax revenue from 15 to 30 per cent, giving them part of the responsibility for tax collection. The arrangement is expected to lead to a Pta300bn ($2.4bn) increase in the funds available to the Catalan government over the next five years under the PP's latest compromise proposal.

Solution nearer for obstacle to BT merger with C&W

By Alan Cane in London

One of the main obstacles to a merger between British Telecommunications and Cable and Wireless, the UK's two biggest telecoms companies, seemed to be moving closer to resolution last night.

RWE, the German industrial group with which BT proposed an alliance earlier this year, has revived contacts with other international telecoms operators because it fears it may have no future in the merged group, sources say.

The alliance between BT and RWE has yet to be finalised. If the German company was to pull out, it could simplify matters for BT and C&W in Germany, where both companies have local alliances.

BT is involved in a joint venture with Viag, a Munich-based industrial group, while C&W has a similar relationship with the Düsseldorf-based Veba. Veba is C&W's largest shareholder with a 10 per cent stake, which makes the situation particularly difficult to unravel.

RWE, which has ambitions to become one of Germany's leading telecoms operators, has restarted talks with operators including Bell Atlantic and the Danish group Tele Danmark.

German telecoms analysts say that Veba is a more suitable German partner for a merged BT/C&W. They also point out that an existing joint venture between BT and Viag, launched in January last year, has got off to a slower start than expected, generating sales of just DM115m ($75.6m) last year.

BT and C&W yesterday denied knowledge of any change in RWE's attitude to the BT deal. BT said its relations with RWE and with Viag, which it hopes to tie into a three-way alliance, were strong. It said it was happy with the commercial performance of the venture with Viag.

Veba, one of Germany's largest groups, is known to be determined not to be left out, whatever grouping might result from a merger between BT and C&W. *It has discounted suggestions* that it could be interested in buying Mercury Communications, C&W's UK telecoms operation.

Speculation about future telecoms alliances in Germany is complicated by the fact that final bids have to be submitted this week for a 49 per cent stake in DBKom, the telecoms subsidiary of Deutsche Bahn, the federal railway network.

Viag is one of three German *companies which has made it to* the final round and, were it to win the DBKom stake, it would then have control over Germany's second biggest long-distance telecoms network making the possibility of a stand-alone alliance with RWE attractive. RWE could not be reached *last night for comment.*

UK block on power bids

Continued from Page 1

the bids but said the issue of vertical integration had not been resolved and repeated its call for the whole electricity industry to be referred to the competition authorities.

City analysts said the decision to block the bids appeared to be at odds with the authorities' apparent blessing for Hanson's *acquisition of plant from both* National Power and PowerGen, which will create a vertically integrated electricity group not much smaller than PowerGen.

Mrs Margaret Beckett, shadow trade secretary, said: "The rejection of the MMC advice... supports Labour's calls for reform of the competition authorities."

Share prices fell across the electricity sector. Southern Electric lost 79p to 824p, Midlands 40p to 371p, National Power 32p to 564p and Powergen 36p to 570p.

Platinum

Continued from Page 1

indicated that it still intends to go ahead with its previously announced plans to demerge its mining interests.

Mr Michael McMahon, Impala Platinum's chairman, accused the commission of "ignoring compelling evidence that this merger was based on *the soundest* pro-competitive rationale".

Anglo American was said to have been angered by the Commission's reference to its stake in Lonrho, and repeated its statement from last month that it was "not its intention" to make a general offer for the rest of Lonrho's shares.

S Korea may ease labour laws to gain OECD admission

By John Burton in Seoul

Mr Kim Young-sam, the South Korean president, yesterday indicated that Seoul would revise its restrictive *labour laws to gain* admission to the Organisation for Economic Co-operation and Development.

The tough curbs on trade unions have been widely criticised, and some OECD members have threatened to block Korea's scheduled admission to the club of industrial nations.

"The OECD has no specific standards with respect to labour rights. However, it is relevant for members of the OECD to note that there are certain basic values shared by all member nations with respect to human rights. *And labour rights are a part of* human rights," said Mr Christian Schricke, head of the OECD's legal directorate, after meeting officials in Seoul this week.

There has been strong resistance within the government to widespread labour reforms. The biggest worry among officials is that they might lead to renewed labour unrest, which has declined sharply in the 1990s due to better working conditions and a *crackdown on strike activity.* There were fewer than 100 strikes last year, compared with more than 3,000 in 1987, when the government eased its ban on the trade union movement.

In response to the OECD pressure, Mr Kim yesterday announced the establishment of a presidential advisory committee to examine labour law reforms. "The excessively restrictive laws and institutions of the past must be... revised in a way compatible with international standards and practices," he said.

However, it is uncertain whether the measure will satisfy OECD members since the committee's recommendations will not be released until late 1997, when Korea is scheduled to have already joined the organisation.

Under the reforms, legal recognition would probably be granted to a new labour organisation, the Korea Confederation of Trade Unions, which is considered more militant than the government-sanctioned Federation of Korean Trade Unions.

At issue are several crucial pro*visions of labour law, including:*

- A prohibition on multiple unions in a company, which denies workers the right to join the union of their choice.
- A ban on the intervention of third parties in labour disputes. This law "has been used to justify criminal prosecution and imprisonment of union leaders for their speeches and statements supporting collective action by other unions", according to *Washington*-based Human Rights Watch/Asia.
- A prohibition on unions donating to political parties or participating in election campaigns.

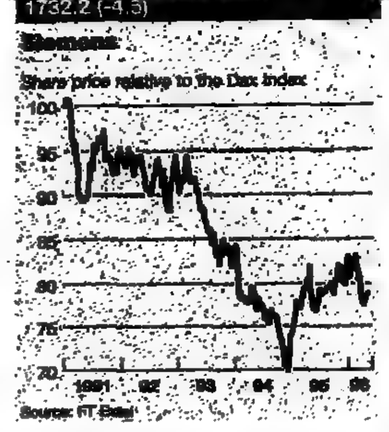
Although trade unions represent only about 10 per cent of Korean workers, their membership is concentrated in the country's biggest companies.

THE LEX COLUMN

Splitting Siemens up

Siemens has not suffered the huge losses that have forced Daimler-Benz to overhaul its strategy. But that does not excuse Germany's other industrial titan from a radical rethink. Despite yesterday's 15 per cent rise in first-half profits, Siemens' return on capital is still in single figures. Part of the solution should be a demerger. The group would divide neatly into two: a high-tech side comprising telecoms, semiconductors, computers and medical equipment; and a low-tech group embracing power plants, rail systems, capital goods and lighting. Splitting the two would increase focus and add pressure to perform by increasing visibility.

FT-SE Eurotrack 200: 1732.2 (-4.5)



Quite apart from such industrial advantages, a demerger could unlock huge shareholder value. With a market capitalisation of DM47bn ($30.9bn), Siemens is valued at half expected 1996 sales. Motorola, which also makes semiconductors and telecoms equipment is valued at 1.8 times turnover. Siemens does not have Motorola's strength in sexy mobile communications; but if it can improve returns over the next few years, a valuation of one times sales should be achievable. Highly-valued paper would also give Siemens a valuable currency with which to acquire other high-tech businesses. Meanwhile, if the low-tech business – which would be rather like ABB – was rated at a quarter of sales, the combined effect would be to lift its share price by a quarter.

Such a radical scheme is not even on Siemens' agenda. But if it followed Daimler's recent example and awarded its executives share options, they might start to think the unthinkable.

UK power

Let nobody say utilities make boring investments. But the latest shock to the electricity sector does at least flow from a sensible decision: the British government's ruling against the generators' bids for regional electricity companies (recs). As ever, though, its view remains incomplete. We now know the government's position on vertical integration resulting from generators buying recs; but we do not know how far recs will be allowed to achieve the same effect by expanding their generation capacity. If Eastern's purchases of generating plant from National Power and PowerGen are waved through, its market share in generation will be substantial and its influence on electricity prices significant. To allow Eastern to achieve what the generators cannot looks like a nonsense. The regulator can and should prevent it.

The main beneficiaries of the government's decision are, of course, the remaining independent recs: their supply businesses are not going to be squeezed by integrated competitors. Yet their share prices all fell sharply yesterday. To an extent, this looks the right result for the wrong reason: some deflation of the frothier prices was overdue. And although the decision has no bearing on the prospects for further foreign bids, the more tempting targets now look to be Midlands or Southern, with their stronger balance sheets, than the other independent recs.

As for the generators, the decision makes them more vulnerable to the downward pressure their margins will face in 1998. But their balance sheets still look phenomenally strong, and some handsome payouts to shareholders are now in order. Nor is it self-evident that Southern Company will not persist with its bid for National Power; if it really wants to, it could dispose of South Western Electricity to do so. And National Power cannot now argue against a Southern Company takeover on the grounds that it means losing the opportunity to merge with Southern Electric. Arguably, the government has actually deprived National Power of the best argument for its independence.

Platinum

The European Commission's decision to block Gencor and Lonrho's plan to merge their platinum interests may be well-intentioned, but it is unlikely to achieve much. Competition worries are understandable: between them, three groups – Gencor, Lonrho and Anglo American Corporation – dominate platinum production outside Russia. And they are all now connected. Anglo, whose platinum interests are the world's biggest, has an *option to* take its stake in Lonrho to 26 per cent. And Gencor has a 27 per cent holding in Lonrho's platinum operations. The result is to connect the commercial interests of the three groups in a way which should be good news for shareholders but could be bad news for consumers.

There is no sign of collusion so far: on the contrary, Anglo and Gencor are old rivals. And Russia's copious stockpile is a serious – if apparently fast-shrinking – obstacle to anyone trying to drive up the platinum price. *So* there may be nothing to worry about, in which case EC intervention is unnecessary. But if there is, blocking *the merger* is unlikely to be enough. The Commission's action looks like an empty gesture.

Telegraph/Hollinger

Mr Conrad Black's bid for the 36 per cent of the Telegraph he does not already own looks generous enough on first glance. *Few newspaper groups* trade on anything like the multiple of 32 times last year's earnings that the Canadian tycoon is offering. But scratch a little and the offer is not that great. Profits will rebound this year in response to last year's 10p increase in the Daily Telegraph's cover price; with the UK newspaper price war winding down, at least one more 5p increase is likely.

Moreover, minority shareholders have Mr Black over something of a barrel. *Unless he takes full control of* the Telegraph, he will be hard-pressed to finance his ambitious expansion plans – in particular his scheme to acquire Fairfax, the Australian newspaper group. Issuing Telegraph stock to pay for more empire-building is clearly not on: the City has raw memories of Mr Black's sale of a large slug of the shares two years ago just before cutting the Daily Telegraph's cover price. His current plan is to raise money through Hollinger Interna*tional, his US vehicle. But until* Hollinger controls the Telegraph's cash flow, investors are unlikely to find its shares that appealing.

The Telegraph's independent directors no doubt feel vindicated in rejecting Mr Black's indicative offer of 450p last year, since it has now been upped to 570p. But that is still less than the 587p Mr Black received in his controversial share sale. Given Mr Black's weak negotiating position, the independent directors should have been able to squeeze at least 587p.

Additional Lex comment on Bank of Scotland, Page 26

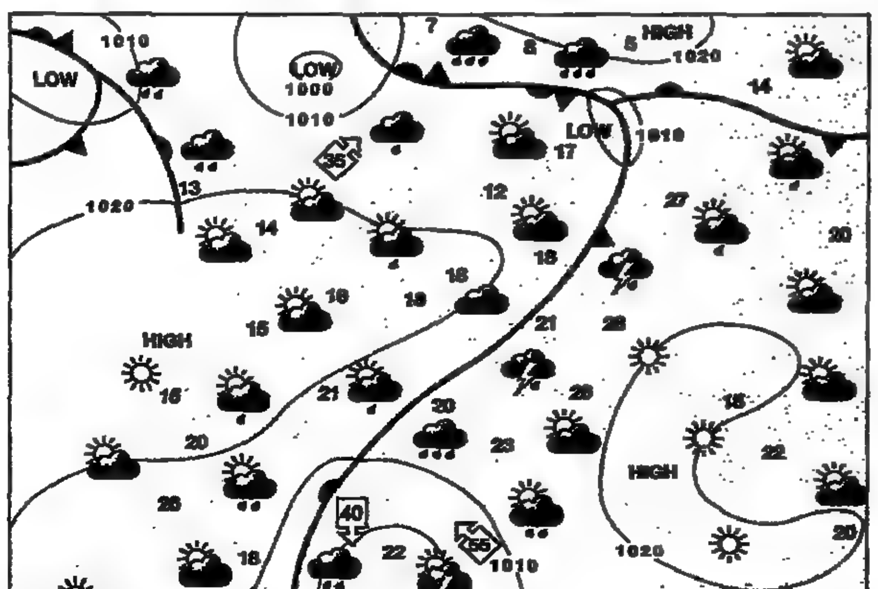
FT WEATHER GUIDE

Europe today

It will be sunny over Greece, Turkey and the western Black Sea. A front moving across central and eastern Europe will bring showers, especially over Italy and the Balkan states. Showers and isolated thunderstorms are also expected over eastern Poland and western Russia. France, the Benelux and western Germany will have sunny periods, possibly mixed with showers. Spain will have sun, especially in the west. Showers are expected in eastern Spain and over the Balearic islands, Corsica and Sardinia. Low pressure systems will cross the UK and southern Scandinavia towards Russia, bringing rain.

Five-day forecast

Conditions over the British Isles will gradually improve. It will become drier and sunnier. Western sections of the continent will also become sunnier. On Friday the Benelux will have rain, especially in the north. Southern Europe will have rain.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum Celsius

			Beijing	sun	27	Caracas	fair	31	Faro	sun	21	Madrid	fair	20	Rangoon	thund	36
			Belfast	rain	15	Cardiff	fair	13	Frankfurt	fair	18	Majorca	fair	23	Reykjavik	fair	7
Abu Dhabi	sun	40	Belgrade	cloudy	24	Casablanca	fair	21	Geneva	fair	19	Malta	shower	18	Rio	sun	28
Accra	cloudy	33	Berlin	fair	18	Chicago	shower	23	Gibraltar	fair	22	Manchester	cloudy	13	Rome	shower	21
Algiers	rain	17	Bermuda	fair	22	Cologne	shower	17	Glasgow	rain	13	Manila	cloudy	33	S. Frsco	fair	23
Amsterdam	fair	13	Bogota	cloudy	17	Dakar	fair	25	Hamburg	shower	15	Melbourne	fair	22	Seoul	fair	22
Athens	sun	23	Bombay	sun	33	Dallas	sun	35	Helsinki	shower	7	Mexico City	fair	24	Singapore	shower	31
Atlanta	fair	29	Brussels	fair	15	Delhi	fair	37	Hong Kong	cloudy	26	Miami	fair	28	Stockholm	rain	9
B. Aires	fair	20	Budapest	cloudy	21	Dubai	sun	37	Honolulu	sun	31	Milan	shower	20	Strasbourg	fair	17
B.ham	fair	14	C.hagen	shower	13	Dublin	shower	15	Istanbul	sun	18	Montreal	rain	9	Sydney	shower	24
Bangkok	fair	38	Cairo	sun	24	Dubrovnik	fair	23	Jakarta	shower	32	Moscow	fair	12	Tangier	fair	21
Barcelona	fair	22	Cape Town	sun	22	Edinburgh	rain	14	Jersey	fair	12	Munich	cloudy	18	Tel Aviv	sun	22
									Karachi	sun	34	Nairobi	fair	28	Tokyo	sun	23
									Kuwait	sun	31	Naples	shower	22	Toronto	shower	15
									L. Angeles	sun	25	Nassau	fair	28	Vancouver	rain	14
									Las Palmas	fair	22	New York	fair	21	Venice	shower	20
									Lima	sun	23	Nice	fair	20	Vienna	shower	13
									Lisbon	sun	23	Nicosia	fair	18	Warsaw	shower	18
									London	cloudy	15	Oslo	rain	10	Washington	fair	25
									Lux.bourg	shower	15	Paris	cloudy	17	Wellington	fair	14
									Lyon	fair	18	Perth	fair	22	Winnipeg	fair	8
									Madeira	shower	20	Prague	cloudy	18	Zurich	shower	16

هكذا من الأصل

VEHICLE FLEET MANAGEMENT

The showy end of the motor industry

The high proportion of heavily discounted company car sales is upsetting private buyers unable to exploit such discounts, John Griffiths observes

This week Silverstone, the self-proclaimed home of British motor racing, is echoing not to the rasp of race cars under test – but the tyre squeal of salesmen's saloons and executives' "perk" cars being put through demonstration paces.

What relevance this has to business motoring on Britain's motorway networks is hard to fathom. But fleet managers in their hundreds have insisted that they find it "informative".

And if that event is what they want as part of what has become an annual Fleet Show, the car makers and associated industries, which have grown up to cater to fleet needs, are determined that they shall have it.

The sheer scale of the Fleet Show, which has taken over virtually the entire Silverstone complex until Friday and has almost every UK car maker and importer represented, underlines the importance which business vehicles and their management have assumed, in the 1990s, for all aspects of the motor industry.

Cars bought for business use are currently propping up a UK new car market which would otherwise be in danger of collapse from a crisis of confidence among private buyers.

Cars bought by fleets and other business users last year totalled 1,032,000 units. That represented a rise of more than 6 per cent on the previous year, in a total market which rose by just 1.8 per cent.

More significantly, the share of the market taken by cars registered to businesses rose from 50.8 per cent to 53 per cent and the trend has accelerated sharply in the first quarter of this year, to nearly 57 per cent.

If the number of cars bought for business use but registered to individuals is added – as in the case of partnerships, for example – then business purchases currently account for 70 per cent, and possibly more, of all new car sales.

It is thus small wonder that car makers, contract hire and leasing companies and other vehicle services providers are courting the business sector so assiduously.

This picture is unlikely to change, for suspicion is hardening into the certainty that more than a simple lack of consumer confidence – based, for example on uncertainties about jobs or negative equity in housing – lies behind private motorists' desertion of the new car marketplace.

Indeed, some industry analysts and even the Retail Motor Industry Federation, representing dealers, have begun to argue that it is car makers' bias towards the fleets which is driving retail customers away.

Within the past month, three of the UK's most eminent motor industry academics, from the Cardiff Business School, have issued a joint warning that the very high proportion of heavily discounted company car sales is creating deep resentment among private buyers unable to take advantage of such discounts, and who are consequently hit harder by depreciation than the fleets when their similar cars reach the second hand marketplace.

As a result, private buyers are making a deliberate choice to buy "nearly-new" cars instead.

These are vehicles usually only a few months old and previously supplied cheaply to the big fleets by manufacturers who are desperate to keep production lines moving.

The bottom line of all this is that while car makers have begun to back away from some of the deals guaranteed to upset private buyers when publicised – such as the tens of thousands of cars sold to short term rental fleets at discounts of 25-40 per cent – their dependence on the business sector means that for fleet managers the UK is very much a buyers' market and likely to remain so.

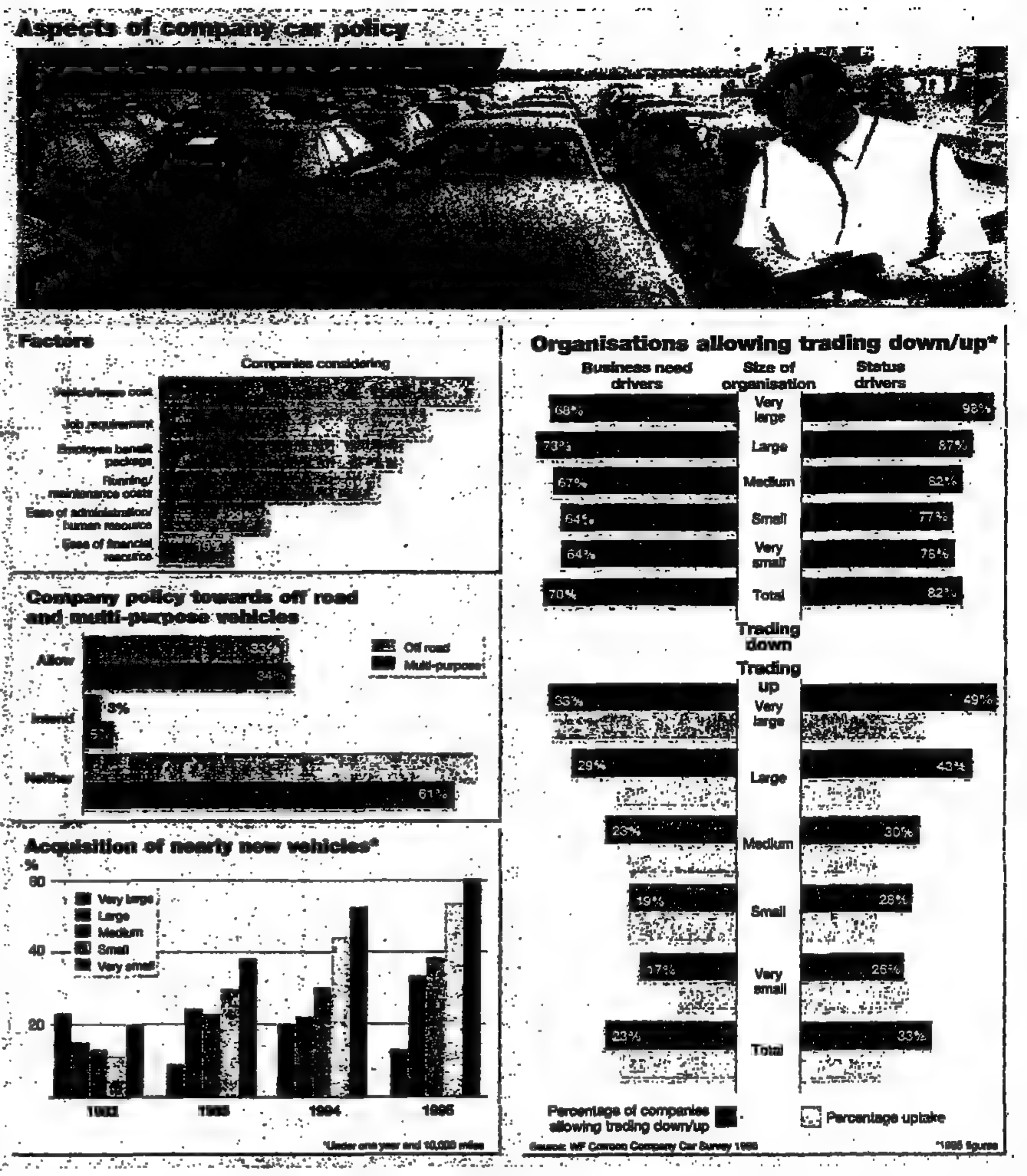
This is particularly the case because of the increasing number of car makers and importers intensifying their efforts to break into, or increase their share of, the UK's business car market.

Notable among them are the Volkswagen group, now pricing much more competitively since taking direct control of UK distribution from the Lonrho group; Fiat, whose UK sales have jumped by nearly 30 per cent over the past year as major investments in new model programmes have begun to pay off; and the South Korean companies Daewoo and Hyundai, which are both now aggressively seeking fleet business.

"Our prediction is that Korea will be a major player in the corporate market in 5-10 years", says Mr Mike Baldry, a director of Dial, Barclays Bank's vehicle management services subsidiary.

To these pressures must be added the growth towards full production of the Japanese "transplant" factories of Toyota and Honda and the need to find buyers for the minimum of 350,000 cars a year output they envisage by the end of the decade, and the more than 200,000 units a year already coming from Nissan's longer-established facilities at Sunderland.

As this year's Monks guide to companies' car policies clearly establishes, for most user companies a Japanese badge no longer precludes such cars from fleet managers' purchase lists.



Some 76 per cent of companies now allow Japanese-badged cars on their fleets if they have been produced in the UK, and two-thirds allow cars produced in Japan itself.

The trouble is, at least from the car makers' point of view, that some companies – particularly smaller ones also lacking the muscle to win big discounts – are proving not at all averse to forsaking the new car market themselves in favour of the "nearly-new".

Most of the big leasing and contract hire companies, recognising the trend, have set up schemes specifically tailored to such vehicles. In addition, they are not necessarily provoking hostility from the company employees who drive them.

Indeed, with the increasingly prevalent practice of allowing a company driver to choose almost any car within a fixed monthly contract hire rental allowance, some drivers are cheerfully opting for used cars which would be well outside their price range if new.

This is despite the fact that, under revisions to company car taxation legislation introduced two years ago, such drivers have to pay a higher personal tax bill for their indulgence.

The legislation links the tax payable by an individual for his or her personal use of a company car to a fixed percentage of the list price of the chosen vehicle when new. That drivers are prepared to incur such apparent financial penalties underlines how deeply the perceived desirability of a company car is engrained in UK business life.

But it is also because, for most drivers, company cars remain such a good deal

Continued on Page II

IN THIS SURVEY

■ **Company policy:** by Kenneth Gooding

Readied for the diesel's surge

Contract hire is being considered following changes to the way cars are treated for VAT

UK car dealers readied themselves for a big surge in sales of diesel-engined cars following the big 1994 shake up in the way company cars are assessed for taxation. The old tax system discriminated against cars with bigger engines and diesel cars typically require larger capacity engines if they are to match the performance of similar petrol-engined vehicles.

More companies began to insist that employees changed to diesel when they replaced their company cars. There seemed to be good business reasons: diesel cars were attracting higher prices in the used car market; fuel costs were lower for drivers doing high annual mileage; and diesels were also perceived to be more environmentally friendly.

Now this trend has gone into reverse. Mr David Atkins of Monks Partnership, the remuneration adviser which tracks UK company car policies, says that recently four big companies surveyed by Monks had changed their policies and no longer were insisting that their car fleets gradually became all-diesel.

Experience showed them, they said, that diesels were no cheaper to run than petrol cars when price, fuel costs, maintenance and repairs were taken into account.

Perhaps, more importantly, diesel cars are losing their "green" credentials. Environmentalists are most worried about the particles emitted in the black smoke from exhaust pipes of badly-maintained diesel cars. These "particulates" are ten times greater in diesel than petrol exhaust fumes. The Internationly Agency for Research on Cancer suggests they are the most dangerous of all car pollutants.

Other organisations are experiencing this trend. Mr Shaun Price, sales director of Fleet Management Services, says his company expected a surge in diesel car sales after the tax changes but it never materialised. He suggests there is another important reason. "Many people still see the company car as a status symbol and diesel cars don't give the right message as far as they are concerned," he says. "Those companies that imposed a diesel policy were giving their employees no choice."

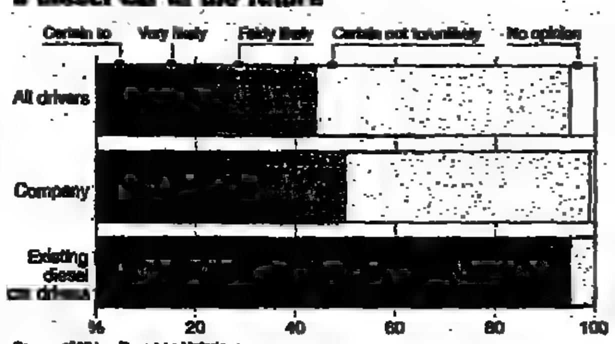
There is another trend in company car policies that FMS has noted. This also relies on the corporation being able to give employees little choice about what they will drive at the company's expense. Some companies are acquiring "nearly new" cars instead of brand new ones. There has been so much demand for "nearly new" vehicles that FMS has set up a separate division to handle it.

> In one view, purchasing 'nearly new' cars really does lower the company costs of contract hire

Like the many private car buyers who have chosen the "nearly new" route to cost savings, the companies are letting someone else suffer the big depreciation that hits nearly every new car. Mr Price says that acquiring "nearly new" really does lower the cost of contract hire, for example, because depreciation is such a big element in the total cost.

Nevertheless, "this is not for user-choosers (where companies allow employees to select the car of their choice within certain limits). It must be company imposed. And it is not good for morale to put someone who has been looking forward to having a new car into one that is six months old," Mr Price insists.

Likelihood of considering buying a diesel car in the future



Source: 1996 Lex Report on Motoring

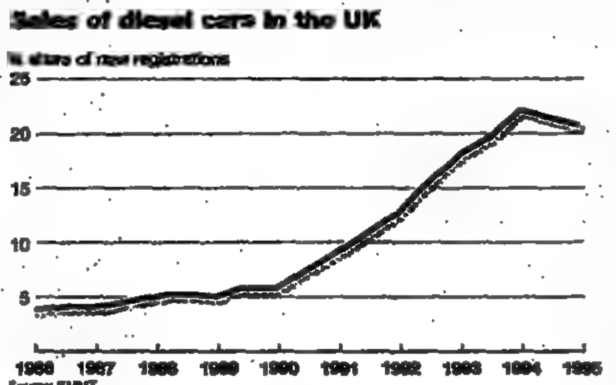
Changes to the way cars are treated for VAT (value added tax) caused another new trend in company car policies. Companies providing cars on contract hire were able for the first time to reclaim some VAT while companies in other businesses are not. This led to many companies considering whether they should switch from the outright purchase of cars for their fleets to contract hire. Mr Price says that so far not many have converted, but the signs are that many will.

Mr Atkins says that many more companies than usual are reviewing their car fleet policies at present. Some smaller organisations are asking themselves whether "nearly new" cars would save money. Bigger companies are asking themselves whether they need all the cars they have on the fleet or how does their car allocation policy compare with others.

There is a tendency for the cost of providing cars, as well as the quality of cars provided, to "creep" upward and companies today are concentrating heavily on reducing costs. This upward "creep" usually comes about when a company is recruiting and newcomers ask for and are given slightly better cars than they would qualify for if they had been promoted from within the organisation.

Mr Atkins says companies also have to bend their own rules to recruit specialists that are in short supply, for example information technology specialists. "Are you going to lose the chance of recruiting the whiz kid you want because he or she is insisting on having a car as part of the package but the company rules say the job doesn't rate one?"

Sales of diesel cars in the UK



Source: SMMT

Following the shake-up in the way personal tax has to be paid on the benefit of having a company car, many more companies are offering cash or salary increases as an alternative to the car. Mr Atkins says most big companies surveyed by Monks have their cash alternative policies in place but most smaller organisations are still struggling to find the right approach. Some large companies have had four or five years' experience with cash-for-cars and are re-examining their policies.

The take-up of cash depends partly on the generosity of the offer and partly on the location and type of company making the offer.

When companies are trying to achieve a position where they are financially no worse off – a "cash neutral" position – the take-up of cash is between 10 and 20 per cent of eligible employees, according to Monks. Where more generous terms are offered, the take-up jumps to between 20 and 30 per cent and some companies are even claiming more than 60 per cent.

However, the further north a company is based in the UK, the less likely is the cash offer to be taken up. "The company car is still a potent status symbol in the north," says Mr Atkins at FMS. "Also, people are more likely to need a car to get to work in the north. It makes more sense for a person working in the City of London whose car sits on a station forecourt all day, and whose partner also has a car, to give up the company car and take cash instead."

Mr Atkins says that the research shows that very senior managers are more likely to take cash than those further down the corporation ladder. "It is almost as if they are saying: I'm so good I don't need to have a shiny new car any more to prove it."

■ **Diesels:** by John Griffiths

Soaring sales falter

The next, more specialised generation could give the sector a new lease of life

Until last year diesel cars were the growth sector of the UK new car market.

From a few thousand a year a decade ago, sales roared away in the early 1990s to reach 431,000, representing 23 per cent per cent of the total market, by 1994.

There appeared good reasons for the growth:

- diesel cars are a lot more economical of fuel than their petrol-powered counterparts, typically travelling at least 20 per cent further per gallon on an average journey and by a third or more around town, where diesels are at their most efficient;
- fuel savings of more than £500 a year are easily achievable with a 2-litre company car covering 20,000 miles a year;
- resale values have been higher than petrol equivalents, partly because of scarcity value and partly because of the diesel's greater longevity if properly maintained;
- with turbocharging and modern fuel injection technology, the modern diesel car also gives little away in terms of outright performance compared with its petrol equivalent;
- and the one notable disadvantage of most diesel cars – a higher initial purchase price – has been fading as manufacturing economies of scale for diesel engines build up.

Given all these attributes, some market analysts have suggested that diesels could go on to capture as much as one-third of the total new car market, particularly as the beneficial effects of the very latest diesel technologies – such as multi-valves and direct injection – make themselves felt.

Last year, however, diesel car sales fell back by 6 per cent in a total new car market up marginally on 1994. And most in the industry are at a loss to explain why.

Part of the explanation may lie in recently-raised uncertainties about the environmental "friendliness" or otherwise of diesels and the possible knock-on effects for future residual values, according to Mr Mike Baldry, commercial director in charge of major corporate accounts at Dial, Barclays Bank's vehiclement management services subsidiary. While diesels are accepted as emitting less carbon dioxide – the culprit in global warming – and some other pollutants than petrol, the minute sooty particles generated by diesels, known as PM10 particulates, have been identified in some reports as a possible carcinogen.

> The UK remains Europe's third biggest market for diesels

"The differing views over the future of diesels indicate that the market is perplexed about its future," Mr Baldry suggests. "The increased supply of used diesels also means an inevitable weakening of diesels' residual values and an accompanying increase in monthly leasing and contract hire rentals. However, the next generation of diesels could give the sector a new lease of life.

Despite last year's reverse, the UK remains Europe's third biggest market for diesels – with more than 405,000 sold last year – and market monitoring group Automotive Industry Data (AID) also maintains that growth will resume as new generations of diesels reach the market. Overall, AID projects that diesels will capture 30 per cent of the total European new car market by the year 2004, involving a rise in unit sales to 4.8m from 2.65m last year.

Cars such as Volkswagens and Audis fitted with the German group's new 1.9 TDI direct injection diesels, and the latest Rover 600 models fitted with a similar turbodiesel version of Rover's K series engine, serve to support AID's contention. Road test reports on the vehicles regularly show average fuel consumption of more than 50 miles per gallon – an ever more persuasive factor as the absolute price of petrol and diesel continues to climb.

Perhaps just as significant, the volume of diesel sales already reached in Europe is such that vehicle makers can begin to justify building dedicated diesel engine plants further to improve scale economies – with the potential to eliminate the diesel price premium entirely.

Nor are diesels necessarily to be shunned by the executive and luxury car sectors. BMW has shown the way with a six-cylinder turbodiesel unit which performs as smoothly and almost as silently as a petrol "six", and which Rover is now using in its Range Rover four-wheel-drive models.

However, one of the most innovative approaches to the sector is being made by Perkins, the specialist diesel engine maker which is part of Varity Corporation of the US. It is developing its own large-capacity diesel specifically for luxury cars. The low sales volumes of such cars make it uneconomic for an individual carmaker to develop such a diesel. However Perkins maintains that it can viably develop and produce such a unit at volumes as low as 40,000 a year. By "customising" such engines cosmetically – with carmakers' name on the camshaft covers, for example – Perkins hopes to supply four or more carmakers, which could then sell luxury diesels profitably even if each carmaker was selling less than 10,000 units a year.

PROFILE CPM International

Blue chip support

CPM International, based in Thame, near Oxford, conducts both field and telemarketing campaigns for a wide range of blue chip clients. The company car fleet currently numbers 287 vehicles for CPM's full-time staff, with a further 2,500-3,000 field force using their own vehicles and reclaiming car expenses from the company.

As its business has grown, so has the size of the fleet. Back in the late 1980s, CPM International ran between 70 and 80 cars, all of which were purchased outright and managed internally.

However, the decision was then taken to switch to a contract hire company and a sales and leaseback deal was negotiated. "As the fleet got bigger, so there was an enormous amount of money tied up in vehicles," says Ms Shirley Burt, the company's fleet co-ordinator. "In addition, we needed the expertise and advice that was available from a professional specialist."

Over the years, a number of different contract hire companies' services have been employed, but around 18 months ago, a single company – Masterdrive – was chosen to operate all the vehicles in the fleet.

"We chose them because we had worked with them for seven years and had always been impressed by the level of support and service that they offered. Masterdrive came up with a sole supplier package and we felt it was the right thing to do to switch to a single company," says Ms Burt.

"Financial considerations are always important, but perhaps the most critical factor in coming to this decision was the level of service they provide, because with myself and a small amount of in-house help, we need the support in running a fleet of this size."

All the cars are on full contract hire with maintenance, with Masterdrive also taking responsibility for Accident Management. Insurance is arranged separately by CPM International's American parent company.

Directors and Client Service Directors have a free choice of cars within a pre-set monthly spend limit. Other grades – such as client service managers and regional field managers – each have a choice from a list of three or four vehicles.

For example, the client service manager would have a choice of the Ford Mondeo 1.8 GLX, Citroën Xantia 2.0LX and the Renault Laguna 1.8RT; the company is now looking to replace the Vauxhall Cavalier which was on the list and has been testing various models before making a final decision. The field policy is not quite as rigid but an example of the vehicles currently in use for Regional Field Managers would be Citroën Xantia 1.6LX, Ford Mondeo 1.6LX and Vauxhall Cavalier 1.6LSi.

Field team managers and supervisors would in the main drive 1.4-litre engine cars and historically these have been Escorts and Astras. However, a demonstrator programme is under way in which team managers on one large account whose present batch of 60 vehicles come up for renewal shortly are testing three models from three different manufacturers.

"As they spend so much time in the vehicles, we thought it important to involve the drivers in the decision-making process and wanted to give them the opportunity to drive the cars and give us their input on which models they would prefer," says Mr Burt. "We listen to their feedback and then, so long as the running costs and the rentals are acceptable, we will put the cars they prefer on to the choice list."

The eventual choice of cars on the lists is also influenced by Masterdrive, who provide for CPM International the information they need to draw up lists of cars at a given monthly rental cost – which takes into account not only acquisition price, but also overall running costs and anticipated residual values too. So the choice comes down to a combination of the models that offer the best value for money at the time, combined with the models that the staff prefer driving – though with keeping within a given budget remaining the overriding factor.

Martin Derrick

The showy end of the industry

Continued from Page I

compared with the risks and inconveniences of running cars of their own. In theory, when the government introduced the latest company car taxation scheme, it finally achieved tax "neutrality" for the sector – company car drivers are no better off, in overall tax terms, than private car buyers. But the financial calculations alone do not take account of the absence of "hassle factor" in running a company car – no showroom haggling; no pleading for a better trade-in price; no queuing at service reception counters (most company cars are collected and returned to home or office at service or repair time); and no hefty unexpected repair bills. Monks guide editor Mr David Atkins says it is this factor which largely explains the very low take-up of cash alternatives to the company car increasingly offered by companies since 1992, when VAT and other taxation obstacles inhibiting such schemes were removed. He estimates that some 57 per cent of companies now offer a cash alternative.

However the take-up rate, on the basis of Monks' survey findings, averages only around 4 per cent. Calculating just what the cash allowance should be represents just one of an ever-broadening range of problems and complexities confronting fleet managers, company secretaries or whichever other directors might be burdened with the task of running the fleet and devising company car policy. For most, it is an unenviable task. Company cars tend to be a highly emotive issue among all levels of employees, and no other non-core element of a company's business is so prone to rousing disruptive petty jealousies. It is thus not surprising that companies specialising in providing fleet management services, or vehicles on contract hire or other forms of leasing, regularly produce surveys to show that in-house fleet managers are doing a poor job; or that companies could save fortunes through buying in outside expertise; or that contract hire with full maintenance is now so advantageous, following VAT reforms announced last year, and that every company should go down that route. Yet despite all the specialist industry's blandishments, more than half of company cars are still bought outright.

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■ **The great transport debate:** by Charles Batchelor

The car faces heavy attacks

Labour's plans, to be unveiled within months, promise a more long-term approach

The car in general, and the company car in particular, is under attack from the environmental lobby as never before. Drivers are being urged to leave their cars at home and make greater use of public transport to spare the environment, save energy and reduce congestion.

But despite a growing consensus around the need to reduce car use, government policy is still in state of disarray. The launch 18 months ago by the then transport secretary, Mr Brian Mawhinney, of a public debate of transport issues, has yet to provide any firm answers.

Sir George Young, the current transport secretary, has promised a green paper later this year but coming shortly before a general election – May 1997 is the absolute deadline – there are fears in the transport sector that it will fudge rather than address the issues.

There are, at present, no clear signs of a coherent transport strategy emerging to help the company fleet manager plan over the longer term. Policy still appears to be driven by Treasury pressure on spending totals and by environmental concerns rather than by a clear view of transport's role in and contribution to the economy.

The first casualty of this muddled approach has been the roads spending programme. Almost as an afterthought to its budget announcement last November, the government revealed plans to lop nearly £4bn off the £12bn roads programme unveiled just 18 months earlier and to scrap 77 road building schemes.

The government places a growing emphasis on the private finance initiative as a means of funding road construction. But its £1bn "design, build, finance and operate" programme, which awards road building and maintenance contracts to the private sector for 30-year concessions has been slow to take off.

In addition, the roads built under the scheme are financed by "shadow tolls", direct government payments to the concessionaires. This method avoids a large initial payment for a roads contract but does commit budgets over the very long term.

Plans to introduce "real" tolls, charged directly to the motorist, have suffered setbacks and the programme now appears unlikely to be implemented before 2004, if then. This represents a considerable reverse for those who thought charging motorists at the point of use would lead to a more rational use of the roads network and lead to a fairer comparision of the cost of rail travel as against the car.

The plan for the electronic tolling of Britain's 1,700 motorway network was launched on a wave of optimism by Mr John McGregor, then transport secretary, in 1993 with aim of having a system in place by 1998. But a growing awareness of the political and technological difficulties involved has prompted a rethink.

Road user groups are already concerned that the motorist pays for more, in the form of fuel duty, road fund licence and other taxes, than is spent on maintaining and developing the roads network. A further charge in the form of road tolls would be extremely unpopular with voters.

At the same time electronic tolling systems do not yet appear robust enough to operate efficiently on Britain's heavily trafficked motorway network. Eight consortia were selected last year to take part in trials but four groups have already withdrawn.

Their reasons include the political uncertainty surrounding tolling, the vagueness of the technical specification, the government's unwillingness to share the development costs and the prospect of long delays in implementing the programme.

> Electronic tolling plans have been hit by political uncertainty

A problem which the government appears to have underestimated is that of motorists diverting from the motorways to other main roads to avoid paying tolls.

Although the government says it is pressing ahead with its plans for tolls, it is also looking at other methods of financing the roads network. One idea is for the country's entire main road network to be transferred to the ownership of one or more new corporations which might be financed by tolls but which could also levy road charges in the shape of a tax "disc" or higher fuel duty.

Labour's own detailed transport plans are due to be unveiled within the next few months but Ms Clare Short, its transport spokeswoman, has promised a more long-term approach and the greater use of land use planning to reduce urban sprawl and the need to travel. Labour is also likely to be more responsive to environmental arguments.

Persuading the business driver to leave his car at home for some journeys depends on their being an attractive public transport alternative. It is the government's hope that privatisation will produce a rail system which is more responsive to customer needs, though the rail sale is still at too early a stage to judge whether or not this will be the case.

Five of the 25 train operating franchises have been allocated to private sector buyers and all are promising improvements in service. Those operating long-distance routes, in particular, have promised to look at improving facilities for the business traveller both on trains and at stations.

But crucial in the train's battle against air travel and the car are journey times. These depend largely on expensive improvements to track to remove speed restrictions and to a lesser extent investment in faster rolling stock. Railtrack, which is to be floated on the stock market next month will need to be persuaded of the viability of spending on track improvements.

Britain's most successful high speed line runs up the east coast between London, Newcastle and Edinburgh but the west coast line between London, Manchester and Glasgow is in urgent need of improvement. A £1bn refurbishment plan is currently being worked on by Railtrack but significant improvements in journey times would require track upgrading and, possibly, the introduction of tilting trains which can run faster on conventional lines.

With so much uncertainty over the future of Britain's road network this could be the time for rail to recover markets lost to the car. But until an overall plan for the country's transport networks emerges it is uncertain which transport mode will benefit.

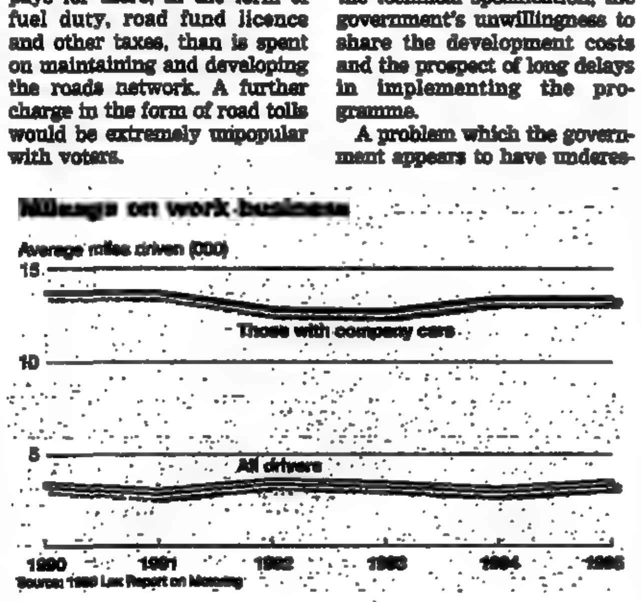
Net support for transport policies within industry*

	Captains of industry	Transport professionals
Introduce more "park and ride" schemes in towns and cities	87	80
Invest a lot more in buses and trains	84	71
Improve road access to docks for heavy goods vehicles	73	65
Introduce toll charges on certain main trunk routes and motorways	51	-27
Invest more in motorways and main trunk roads	49	41
Build new toll roads to relieve congestion on trunk roads and motorways	47	9
Introduce more bus lanes on roads in towns and cities	45	53
Widen Britain's existing motorways and main trunk roads	16	58
Increase subsidies for public transport paid for out of taxes	-16	8
Charge car drivers £5 a day to drive in cities	-18	-45
Have lanes reserved for cars with two or more occupants	-28	-57
Reserve one lane on motorways as a toll lane for heavy commercial vehicles	-33	-38
Charge higher tax on large cars	-34	-25
Ban cars from city centres	-46	-22
Much higher taxes on petrol to discourage consumption	-49	-64
Encourage switch of freight from rail to roads	-77	-87

*Of those who expressed an opinion: percentage=should introduce; - percentage=should not

Source: 1996 Lex Report on Motoring

Mileage on work business



Source: 1995 Lex Report on Motoring

■ **VAT:** by John Griffiths

Not in the script

New legislation seems to have sown confusion and not produced hoped-for savings

For the contract hire industry, recent events have not gone according to script.

When Chancellor Kenneth Clarke announced last year that companies would be able to reclaim the 17.5 per cent VAT on cars bought solely for business use, the contract hire industry rubbed its hands with glee.

Here, surely, was the catalyst that would turn all but the most diehard conservative companies away from buying and managing their own cars, and towards the worry-free simplicity of the monthly rental payment and all-in maintenance of contract hire.

Their optimism appeared to be well founded as last August 1, the introduction date for the new VAT rules, approached.

For a start, the new rules in effect applied overwhelmingly to the contract hire and leasing industries, because a user company buying its own cars was debarred from reclaiming VAT on any car that travelled even a mile on non-business use.

Contract hire companies could cut monthly rentals quite sharply, at no cost to themselves, by passing on all – or most – of their own ability to reclaim VAT on their car purchases. It could not be by the full 17.5 per cent because VAT still had to be accounted for on the proceeds when the car was eventually sold after the contract hire period.

In addition, however, the rules allowed companies using contract hire or leasing to reclaim 50 per cent of the lease element of the monthly rental, even if a driver enjoyed private use of the car. Finally, the contract hire and leasing companies could now reclaim the VAT on service elements of the contract such as maintenance and roadside assistance.

Mr Colin Thornton, head of marketing at ACL, the vehicle management arm of Standard Chartered Bank, was quick to suggest that rentals would drop by around 8 per cent and that many companies, as a result, would re-examine the way in which they acquired their cars. Using a computer model developed by accountants KPMG, ACL calculated that the operator of 100-car fleet on a three-year replacement cycle, with an average cost of capital of 10 per cent over the period, would save around £65,000 by using contract hire. The calculations remain valid. The trouble is that the contract hire industry waited for fleet managers to beat a path to its door – and is waiting still. "It was a big non-event," says Mr David Knight, managing director of PHH Vehicle Fleet Services.

According to the latest annual Tolley Dial Survey of Company Car Schemes*, the Monks Partnership's 1996 report on company car policy** and other studies, it was worse than that. The report showed a significant drop in the number of companies acquiring cars through contract hire and leasing, with 62 per cent of cars still being the subject of outright purchase by their operating companies. The Monks study shows an increase of 3 percentage points, from 33 per cent to 36 per cent, in the number of surveyed companies opting for contract hire. Both illustrate clearly the contract hire industry's disappointment.

"Tolley's figures came as a bit of surprise to us because we have seen record growth of around 40 per cent in our own contract hire operations over the past two years, and expected this to increase following the VAT changes," says Mr John Lewis, a director of Dial, Barclays Bank's vehicle management services subsidiary which operates 65,000 cars.

However, he claims that Dial's own research shows that 80 per cent of companies are planning to use contract hire to fund their fleets in the future, and suggests that the main problem is that the significance of the VAT changes has not yet fully dawned on medium- and smaller-sized companies. Controversially, he maintains that some of the leading fleet management companies are to blame, for concentrating on the biggest fleet deals and starving smaller businesses of adequate levels of advice and assistance.

A rather more sinister interpretation of events is made, however, by Mr Tony Elliott, sales and marketing director of another contract hire and leasing company, Masterdrive. He says: "In the first place there has been a lot of confusion about the benefits of the VAT changes, partly because Customs and Excise were determined to claw back as much as possible into their coffers, thereby negating much of the good that might have come from the move."

But perhaps more significantly, he adds, industrial companies which run large fleets normally require at least a year before they would consider a change. By now, their finance departments should have made the necessary discounted cash flow and other calculations leading to what, Mr Elliott claims, is the inevitable conclusion that the contract hire or leasing option is now a viable alternative to purchase. "However, transport managers and transport departments of these companies frequently have major fears about outsourcing because of the threat to their own job security, real or unfounded. In a large number of cases, therefore, any move to contract hire will be blocked from within," he says.

Not surprisingly Mr Geoff Cobley, managing director of Fleet Management Services, which provides both fleet management and leasing services, suggests that the picture is not as clear cut as the core contract hire industry claims and that "fleet operators will find it increasingly economical to employ both contract hire and fleet management to cover the workers as well as the 'perkers'." This is particularly the case, FMS's sales director Mr Shaun Price claims, because in practice the net benefits of the VAT changes are not quite what the contract hire sector has claimed – "the advantage is around 5-6 per cent."

**Tolley Dial Survey of Company Cars 1995/96, Tolley Publishing Company, Tolley House, 2 Addiscombe Road, Croydon, Surrey CR9 5AF. £47.50*
***Monks Car Policy UK, Monks Partnership, The Mill House, Wendens Ambo, Saffron Walden, Essex CB11 4JX. £165*

PROFILE Davis Service Group

Overall financial control

The 900 cars and 400 trucks used by companies within the Davis Service Group are the subject of a new agreement with Lex Service in a contract with a lifetime value of over £31m.

Davis Service Group, which includes HSS Service Hire Group, the Pall Mall Service Group, Sunlight Service Group and the Elliott Group, takes group responsibility for the financing of assets.

But it leaves all operational matters in the hands of the individual companies, each of which has its own Board of Directors.

Mr Terry Winter, the group finance manager, says that group financing in general was reviewed at the end of 1994 and early in 1995: "One debate was whether we should continue to fund non-income producing assets such as vehicles by overdraft, or whether they should be separately financed.

"We looked at various financing options and also at a multitude of fleet operational options. Obviously we wanted to use the power of the group to get the best possible deals, but it was also important that our group financing requirements should have no adverse effects on the operational requirements of the individual companies."

The decision to switch to Lex Service, whose Lex Vehicle Leasing looks after the cars and Transfleet the trucks, was based in part on Lex's dedicated truck leasing company and its expertise in this area. But it was also because it was able to provide what Mr Winter describes as "a one-stop shop."

Under the agreement, for example, HSS uses contract hire without maintenance but with fleet management for its fleet of 280 cars and 350 commercial vehicles. Other companies in the group, however, have opted for finance leases because, taking into account the use of the vehicles in their own fleet and the length of time they remain in service, this appears a better option.

"We get advice from Lex that ensures we choose the right financial instrument for each particular application, and they then provide the finance and the services that we require," says Mr Winter.

At one of the subsidiaries, HSS Service Hire Group, which supplies a variety of tools and items of plant to customers on hire or a direct sale basis, Ms Alexandra Sard, the fleet manager, said that they had opted to switch from buying vehicles outright to new contract hire arrangements with Lex.

"In the past, when there were no VAT clawbacks available, there seemed to be no strong advantage in not buying vehicles outright and so we bought all our fleet of cars and light commercial vehicles, with the exception of a small number of 7.5-tonne trucks used by Event Hire, the catering side of the business.

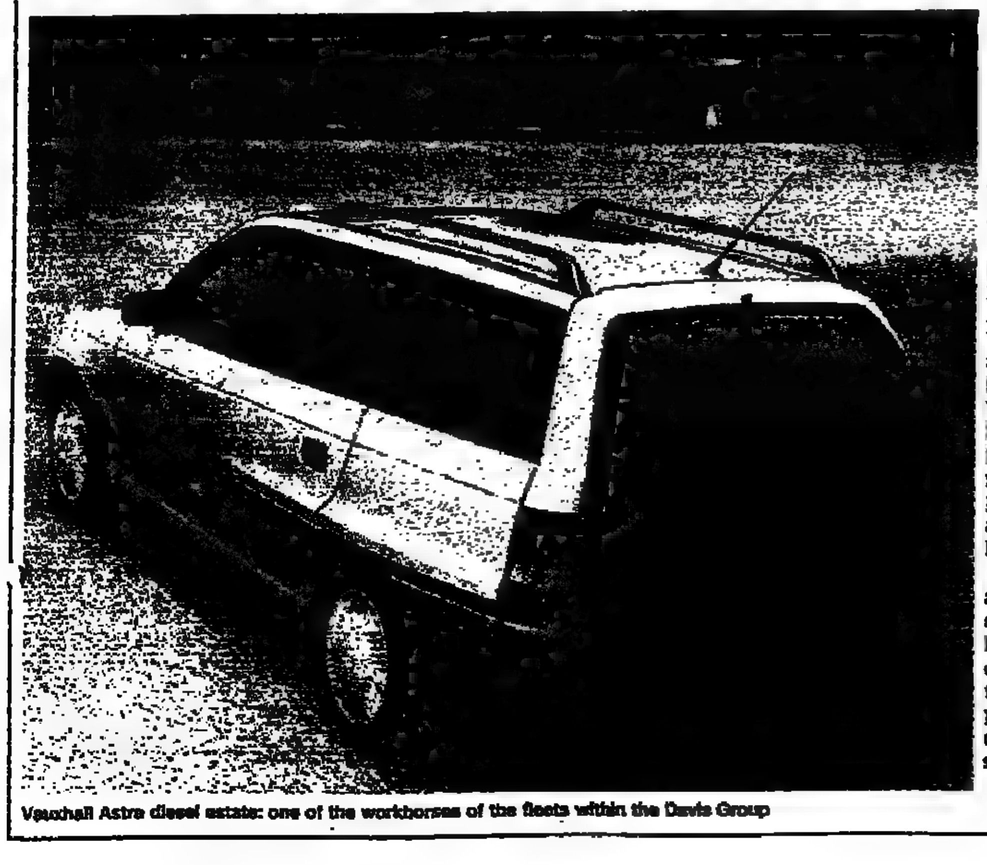
"However, once VAT could be reclaimed, it seemed a bit silly to be spending £9m on vehicles – my budget last year – when the advantages of contract hire had been increased.

"In addition, there is an element of protection in a contract hire agreement, particularly in terms of budgetting. And under the Lex contract, we have access to replacement vehicles and also overnight servicing, so there is minimum disruption to our operational staff."

Currently, the 280-strong car fleet consists mainly of Ford Escort and Vauxhall Astra diesel estates which are used by depot managers around the country, plus some 80 management vehicles. These are subject to free choice within specific list price bands for different grades – but, according to a policy introduced some two and a half years ago, all must be diesel.

"This may change in future as we are now looking again at whole-life costs and because residual values of diesel cars are no longer what they were, we may change to petrol cars, though a final decision has yet to be taken," says Ms Sard.

Martin Derrick



Vauxhall Astra diesel estate: one of the workhorses of the fleets within the Davis Group

■ **Computers:** by George Black

Cost-cutting and efficiency

Because of lack of experience ease of use is a primary requirement in fleet management

Using a computer system to support fleet management can make a big difference to the efficiency and cost-effectiveness of the operation.

Computer companies are introducing easier-to-use systems with more advanced functions which could greatly enhance their value, through the adoption of simple graphical user interfaces (GUIs) and simple searching methods based on executive information system (EIS) software.

Functional advances are enabling users to take up electronic commerce, or electronic data interchange (EDI) which can make considerable financial savings through replacing paper business with computer transactions. Money can also be saved by replacing bulging filing cabinets with disk storage through document image processing.

Fleet management systems can cost from a few hundred pounds to £50,000, depending on the size and complexity of the fleet. As systems improve, more fleet managers may consider whether they should increase their investment.

However, Mr Alan Pascoe, marketing executive for supplier RMS Tranman, says they generally fail to recognise that these systems are of strategic value. "Many of them are backward in information technology and very reluctant to invest," he says.

This is attributable partly to tight margins in the transport industry and partly to the fact that fleet management is not the core business for many buyers. But in many cases, says Mr Pascoe, they are just not willing to be convinced of the benefits of IT. Often it is hard for suppliers to get to talk to senior managers who might be more receptive. Fleet management organisations remain to a large extent behind the times in adopting IT and in some cases wholly uncomputerised. Some are starting to computerise workshops for the first time.

There are around 30 systems suppliers to the UK market. Fewer than a dozen dominate the market for large multi-user installations, but the number of products available at all levels of sophistication has risen sharply in the past few years.

This gives buyers more choice, but it has also created confusion about what the products can do. Products vary greatly in their capabilities and it is important for users to ensure that they choose one which is designed for their area of business. Local authorities, for example, may need a package with considerably more flexibility than most private sector users.

Many users are moving from proprietary systems running on large computers to open systems or client/server systems. Others are looking to move up from personal computer systems running the Microsoft DOS operating system to something more powerful.

The preferred approach for the latest systems is the client/server structure, with processing typically split between a server running on Unix software and a personal computer front end. The recent convergence by suppliers on the client/server model has created even more competition in the market. Ease of use is a primary requirement in fleet management because many users have little or no computer experience. Those who have any experience are most likely to know the popular PC spreadsheets and want a system that looks much the same.

Another essential feature is the ability to deliver a substantial cost reduction to justify the investment. The market has changed radically in the past decade. Many users, such as the privatised utilities, have re-structured their businesses to make fleet management a profit centre, providing a service to the parent company.

Many local government users have outsourced fleet management since compulsory competitive tendering was introduced in the 1980s.

These changes have forced systems developers to re-design their products. Sanderson FCS (formerly Fletcher Computer Services), one of the leading suppliers, has spent over three years on a multi-million pound re-development programme, converting its products to a client/server structure with a Microsoft Windows front end. Its sales director Mr Paul Foskett says it decided to undertake that project when the market began to change with the growth of privatisation and outsourcing.

Some new fleet management profit centres now not only provide a service to their parent company but also use their spare capacity to manage fleets for others. "To make a profit from fleet management you need to use computer systems to full effect. A good system can provide a real competitive edge," says Mr Foskett.

Mr Chris Elvin, fleet department manager for supplier Kerridge Computer Company, says the market is moving from pure fleet management systems to broader, integrated contract hire and leasing systems. These may include modules for other aspects of the business, from marketing to contracts to accounting.

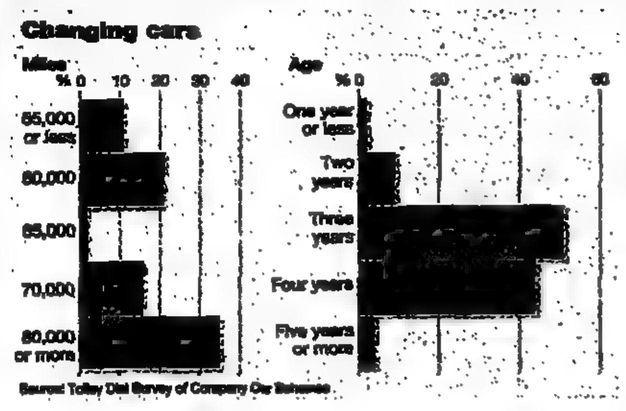
All users want to reduce paper. Even a small fleet of 100 vehicles can generate a large amount of paperwork; for a fleet of 10,000, it can turn into a nightmare. For many users, document image processing has begun to condense that diverse data into a format which can be held on a single disk, comprising invoices, repairs and maintenance records, accident photographs and much else.

Many fleet managers would like to move into electronic commerce. This could help in several areas, for example tyre management. The cost of tyres is a constant concern to fleet managers, but it has been hard for them to make any big impact on that cost. Electronic transmission of invoices could enable them not only to save money by cutting out paper but also to understand more clearly the trends of tyre usage. The computer may be able to throw light on which types of tyre wear best and which drivers are abusing their tyres and prompt an early response.

The spread of handheld devices could contribute to cost reduction, as they become part of the electronic commerce process. For example, accident repairs could be streamlined by feeding price information from handheld terminals in the stores to the insurance company for authorisation. However, the spread of electronic commerce is still held up by lack of standards. Fleetnet, the industry standards committee, is struggling to get vehicle manufacturers to agree on standard formats for part numbers. "1997 must be the year for this, we can't wait any longer," says Mr Elvin of Kerridge.

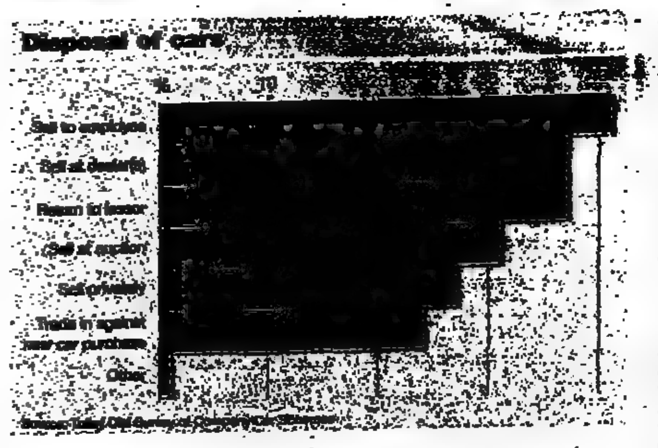
George Black is a freelance IT contributor to the FT

Changing cars



Source: Tolley Dial Survey of Company Car Schemes

Disposal of cars

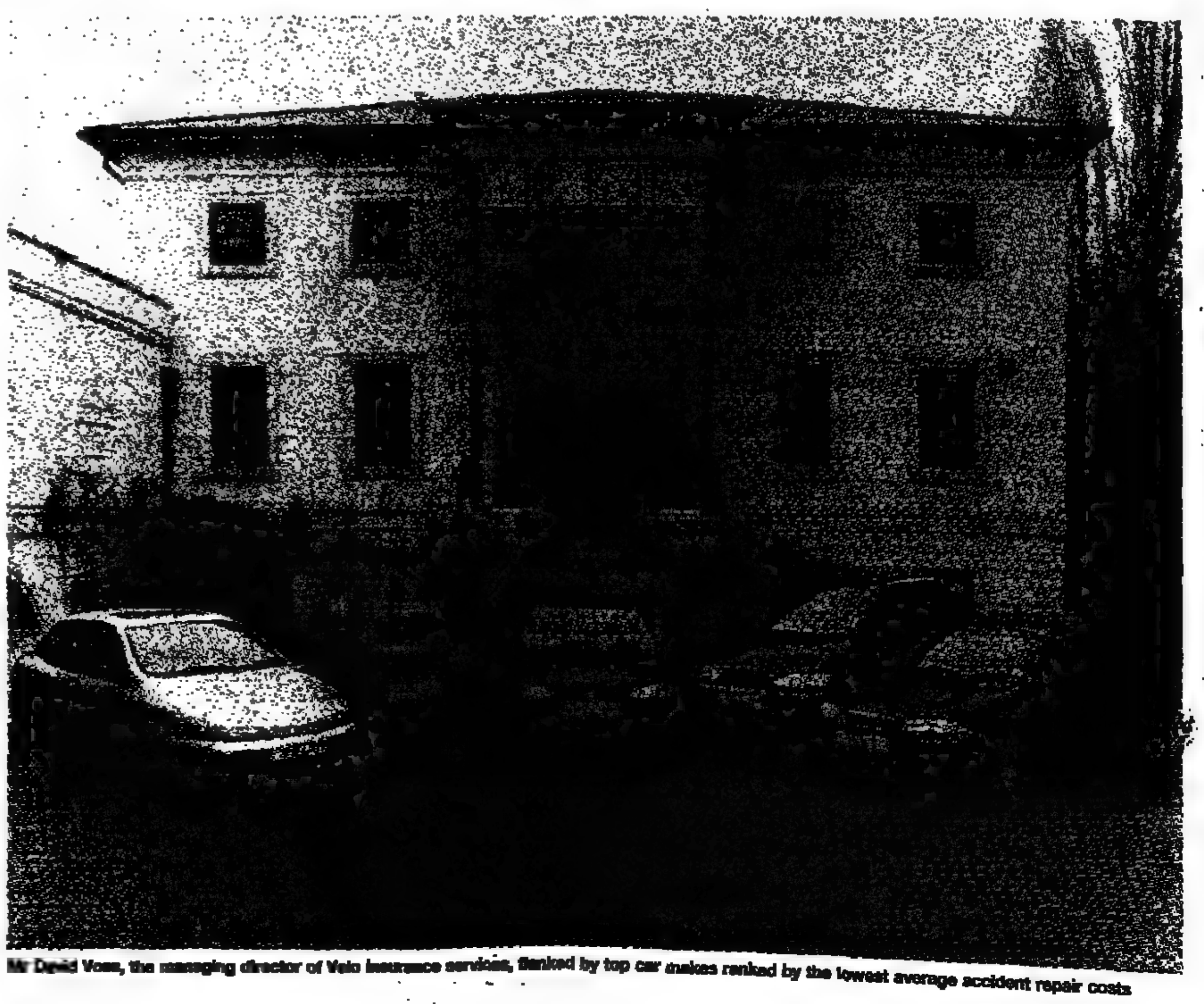


Trends in proposed modifications to car policies (%)					
	1991	1992-93	1993-94	1994-95	1995-96
More diesel cars	17	27	30	44	23
Higher salary, no car	46	55	54	37	25
Keep longer	43	40	35	31	35
Tighten up on use	38	29	25	27	31
Cheaper cars	–	–	14	20	15
Wider choice	–	–	7	15	19
Higher salary, cheaper car	–	–	18	11	12
Buy used cars	18	15	15	10	15
Base choice on CH* rate	–	–	11	10	14
Hire/lease instead of buy	9	7	6	8	23
Buy instead of hire/lease	–	–	6	8	5
Will you modify policy? No	20	24	27	30	43

*contract hire — Source: Tolley Dial Survey of Company Car Schemes

Jaguar Sovereign 4.0 LWB: a stylish and valuable contribution to the higher ranks of any vehicle fleet

Mercedes-Benz C-class: a model of elegance giving a stress-free ride for the executive who can wheedle a little more out of his company



Mr David Voss, the managing director of Velo insurance services, flanked by top car makes ranked by the lowest average accident repair costs

■ **How the latest models go:** by Stuart Marshall

Big need not mean beautiful

Direct-injection, turbo-diesel automatic cars offer a seductive combination

Since company cars have been taxed on price, not a mix of price and cylinder capacity, executives have no longer had to stay below the 2.0-litre barrier but have more than 20 attractive multi-cylinder engined cars to choose from.

For a combination of value for money plus mechanical refinement, the Ford Mondeo 24v 2.5 is almost in a class of its own though the equally keenly priced Vauxhall Vectra 2.5i V6 GLS runs it closely.

Two other cars for user-choosers with £20,000 spending limits and a liking for the good things of motoring such as air conditioning and automatic transmission are Nissan's QX S (successor to the Maxima) and the Renault Laguna V6 3.0. The 2.0-litre and 3.0-litre V6s powering the Nissan QX S run with turbine smoothness. I also rate the Laguna V6 highly for silence and comfort with vigorous performance.

At this price level there is an agonising choice to be made between a multi-cylinder model of a marque that does little for an executive's personal status, and a less highly specified car with a badge that excites envy. (For example, a Ford, Vauxhall or Renault on the one hand, a BMW or Mercedes – and increasingly an Audi, Rover or Saab – on the other).

If a user-chooser can wheedle a small amount of extra money out of his company – or chip in a modest sum of his own – a 6-cylinder BMW 3-Series or C-Class Mercedes-Benz becomes possible. And if not, there are always 4-cylinder versions of both cars, sans automatic transmission and air conditioning, to consider. Audi, Rover and Saab have narrowed the gap separating them from the prestigious rear-wheel driven German pair. Performance-obsessed motoring publications still nit-pick over handling differences between, say, an Audi A4, Rover 600 and Saab 900 that would be revealed only if they were driven in a way no responsible person would contemplate. Most of us could live easily with any of them. It really comes down to personal preference over things like styling, the size and shape of the boot and seat comfort.

Before leaving the Mondeo/Cavalier segment, the Citroën Xantia Activa is in a class of its own for keeping driver and passengers in ignorance of bends as well as bumps in the road. Computer-controlled suspension eliminates body roll as well as maintaining a constant ride height and attitude regardless of load distribution. And the new Peugeot 406 is so refined a performer it could be said to have brought Jaguar standards of ride, comfort and silence to the lower managerial classes.

In these size/price brackets, the made-in-Britain Japanese trio of Honda Accord, Nissan Primera and Toyota Carina E, plus the Dutch-built Mitsubishi Carisma, may be short of what Americans call driveway credibility but have just about everything else. They are totally competent vehicles. Rover's decision to pitch the 400 (effectively a Roverised Honda Civic with Rover's own K-series engine) against slightly larger rivals is an interesting reflection of the feeling that big is not necessarily beautiful.

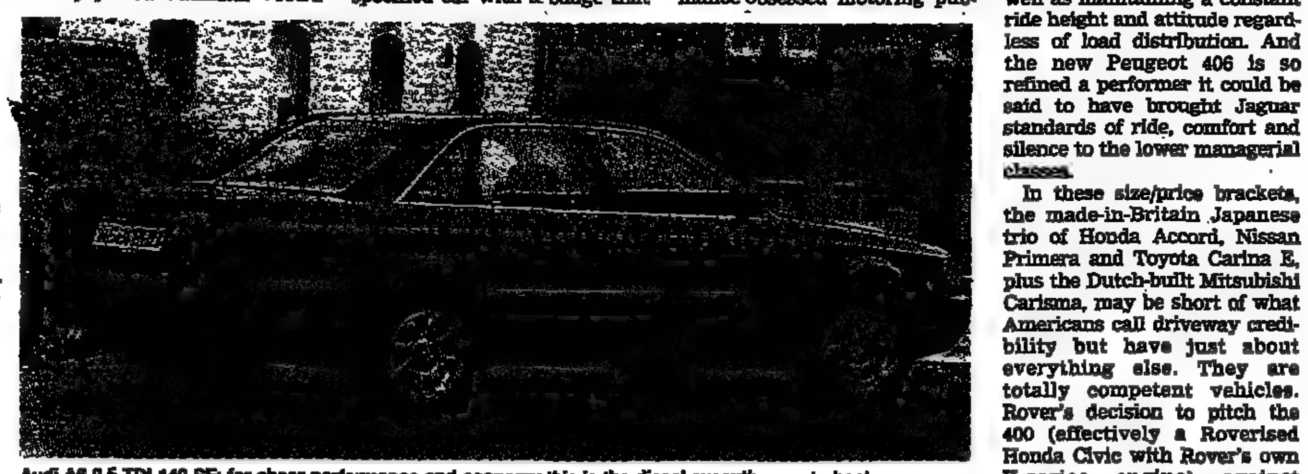
Lower down the ranks standards have risen. The latest Ford Escorts and Peugeot 306s and the newer Renault Mégane and Fiat Bravas are the equal of executive cars in all but size. For larger, costlier (£25,000 to £30,000-plus) cars, senior executives are spoilt for choice. Best value in this segment must be the just under £30,000 Jaguar XJ6 3.2, which offers a superlative ride, more than adequate performance, courtly handling and lots of prestige for little more than the price of the poshest Ford Scorpio or Vauxhall Omega. The latest Lexus LS 400 has achieved the impossible by being even quieter than before.

Diesel-engined cars in the upper reaches of the market are now so good that, except for the first minute or two after start-up from cold, they sound and go more like petrol-powered cars. The best engine at present is the in-line 6-cylinder BMW turbo-diesel of 2.5-litres capacity, used in Range Rover and Vauxhall Omega as well as the BMW 3-Series and 5-Series. But for muscularity and general refinement the 2.5-litre, 4-cylinder engine with contra-rotating balance shafts used by PSA in the Peugeot 605 and Citroën XM is snapping at its heels.

For sheer performance and economy, the diesel executive cars to beat are the Audi A6 and Volvo 850 models powered by Audi's direct-injection 5-cylinder engine producing 140 bhp. Rover's 600 SLD 2.0-litre – and soon the Honda Accord with the same Rover-supplied 4-cylinder, direct-injection, turbocharged engine – offer similar benefits. The fully encapsulated engines of the Mercedes-Benz C-Class and E-Class are not currently turbocharged. While not in the top rank for vigour, they are class leaders for lack of disturbance while idling and feel so unstressed one could believe they would run for ever.

As fuel prices rise remorselessly, a direct-injection turbo-diesel automatic car (like the Audi A6) offers a seductive combination for a cost-conscious, high-mileage business executive.

Reports of an impending sudden decline in the on-off road four-wheel drive estate car market seem to have been greatly exaggerated though I have never quite understood their appeal as executive or luxury car alternatives. But the new generation of multi-purpose vehicles like the Ford Galaxy and VW Sharan, Citroën Synergie, Fiat Ulysee and Peugeot 806, Renault Espace and Honda Shuttle are attracting users who want lots of interior space and a high seating position but have no need of four-wheel drive. The V6 engined Galaxy and Sharan perform vigorously and ride comfortably enough to satisfy most executive motorists.



Audi A6 2.5 TDI 140 SE: for sheer performance and economy this is the diesel executive car to beat

Peugeot 406 GLX/GLXDT: it brings the highest standards within the reach of the lower management classes

Mondeo Si 2.5 V6: for value and mechanical refinement almost in a class of its own

Mean discount obtained on specific models (%)

Model	Total	Size of fleet				
		<10	10-19	20-49	50-99	100+
Ford Fiesta	12.9	–	–	–	12.9	12.9
Sapphire/Mondeo	10.5	–	11.5	9.5	9.3	10.6
Ford Granada/Scorpio	9.8	–	15.0	11.1	14.3	9.6
Vauxhall Cavalier	13.5	9.0	13.2	9.2	9.1	13.9
Carlton/Omega/Senator	14.4	–	14.2	7.4	9.8	14.9
Rover 200/400	8.5	9.0	10.8	9.8	9.1	8.4
Rover 600	8.7	–	8.0	10.1	9.2	8.5
Jaguar/Daimler saloon	6.4	–	–	2.0	7.0	6.4
Peugeot 306/309	10.1	–	9.0	8.7	12.0	8.7
Peugeot 405	19.0	–	10.0	8.1	12.1	19.9
Renault 21/Laguna	10.5	–	8.0	12.0	12.0	10.1
Citroën BX/Xantia	10.8	–	8.3	9.6	15.0	8.8
VW Golf/Vento/Jetta	9.5	–	12.0	–	–	9.5
Audi 80/90	7.4	–	10.5	10.0	–	7.1
BMW 3 Series	6.9	–	5.0	9.5	8.5	6.9
BMW 5 Series	7.0	–	6.5	5.0	7.0	7.1
M-Benz 190C Class	7.0	–	8.0	–	–	7.0
M-Benz Midsize E Class	8.6	8.0	7.7	11.0	–	8.6
Volvo 440/460	8.2	–	–	–	15.0	8.1
Saab 9000	8.8	–	10.0	11.0	12.0	8.4
Nissan Primera	9.6	–	10.0	9.0	17.0	9.6
Toyota Carina	7.0	–	13.0	–	–	7.0

Source: Tolley Dial Survey of Company Car Schemes

■ **Mobile communications:** by Haig Simonian

More callers on the line

Devices to monitor speed, engine revs and distance can lead to safer, legal driving

From policemen to plumbers, people are spending more money than ever keeping in contact on the move. Mobile communications have mushroomed as hardware prices have fallen, services have been added and new participants have entered the market.

Companies wanting to equip their fleets with telecommunications facilities now face a bewildering choice of technologies and operators. Questions like whether mobile telephony is more appropriate than private radio, or whether voice communication should be supplemented with data, are regularly on the agenda.

The answer, more often than not, depends on the usage. Big companies seeking quick transmission and receipt of complex information by their staff on the road are more likely to be interested in public access radio than a country-hopping executive, whose priority is frontier-busting voice telephony.

The market falls into four categories:

- pagers, the oldest and most restricted technology, use radio waves to transmit limited instructions;
- cellular telephony, which is still developing, links up thousands of small radio "cells" to provide a nationwide mobile telephone service;
- public access radio for either voice or radio. A relatively young medium, which uses the radio frequencies vacated when old-standard black-and-white television broadcasting was discontinued 10 years ago, this offers regional or nationwide radio comunications using private networks, whose capacity is rented out to subscribers. Although public access radio operators have specialised in voice or data, demarcation lines are blurring. Moreover, digital transmissions will eventually become possible now the Radiocommunications Agency has called for applications to operate a digital, and not just analogue, service.

Function is the usual way to determine which technology is most appropriate for a business. Paging, once very popular, has been largely superceded: although modern pagers can receive short messages as well as simply alerting the user to contact a predetermined number.

Data-only services are restricted – as their name implies. However, they have immense possibilities given the amount of information they can be carry. RAM Mobile Data, a leading operator, has signed a framework agreement with the Home Office to give police vehicles direct access to the Police National Computer. Using mobile terminals in patrol cars, officers can contact the PNC in seconds, compared with the minutes it could take to call up an operator by radio to check through data. These services are particularly appropriate for command and control. Using a keyboard and computer database, an operator at a company's service centre can be sure to send the right type of vehicle to the right location with the right equipment and personnel on board. Moreover, the driver can receive full details of the job in hand on an in-vehicle screen, including the sort of complex information regarding the type of equipment to be serviced.

The devices can monitor speed, engine revs, distance travelled and even whether a vehicle is moving or stationary. Such information – receivable in real time – can be used for various purposes. A vehicle's maintainence needs can be precisely tracked to make sure it is brought in for servicing only when required. By monitoring speed, engine revs and braking, the system can also be used to ensure vehicles are being driven safely, econmically and within the law. Drivers' performance can be checked, and remedial action taken if necessary, notes Mr Duncan Purves, director of transport and distribution business and RAM Mobile Data.

Such detailed supervision could translate into lower operating costs for the user through reduced fuel and maintenence bills. It could even assist in improving a company's public image by cutting down on poor driving standards or dirty exhaust emissions. Such environmental considerations have been a big factor behind the interest of some big supermarket chains (which often see environmental awareness as an important competitive consideration). Safeway, for example, uses RAM Mobile Data for engine monitoring purposes.

In voice communications, the choice lies between public access radio or portable telephones. The main determinant has tended to be cost, with cellular phones being more flexible, but also much more expensive, than radio.

> Portable phones are more flexible as they can call any number on the phone network

Mobile phones offer many advantages. They can be removed from vehicles – not possible with all radio systems, where size and weight restrictions on portabile systems limits their range. Portable phones are also more flexible in that they can call any number on the phone network. Radio systems, by contrast, are restricted to a subscriber company's network. Moreover, the latest GSM-standard portable phones can be used in dozens of countries, whereas radio networks are limited to nationwide, or, if a user wishes, regional coverage. National Band Three, the leading public access mobile radio operator for voice communications, now covers more than 90 per cent of business areas for its 60,000 customers.

But the far greater flexibility of mobile telephones has come at a cost. Usage has tended to be far more expensive than public access radio, while monitoring and control have been much more difficult. The technological restrictions of radio networks also limit the scope for abuse. Personal or international calls are impossible. Excessive usage is eliminated because connections are automatically terminated after 60 seconds.

The differences explain why portable telephony and public access radio has tended to be marketed to different, and seldom overlapping, users. Public access radio has often been selected by companies with "blue collar" workforces, such as tanker drivers, where the emphasis is on relatively homgeous, but highly frequent, communications, says Mr Nigel Rodliffe, NBS marketing manager. Portable phones, by contrast, tend to be more the domain of middle management, where calling frequency may be lower, but flexiblity is the key.

Such distinctions, however, are starting to blur. Cellular telephone operators, which in some cases have lost business to public access radio on cost and supervisory grounds, are trying to address some of their drawbacks. Complex billing packages are being devised which can make the cost of cellular communicatins more competitive. And companies offering a broad telcommunications advisory service have increasingly tried to market cellular telphony in the context of addressing a client's broader telecommuncations needs, including traditional landline services for voice and data. Cellular telephony companies also claim to have overcome the problem of abuse. A variety of software packages available to subscribers can restrict useage to pre-set numbers, check for overfrequent dialling and even restrict call length, explains Mr Adrian Burholt, product manager at Mercury Communications.

Such innovations may not be enough to win round all the users who have defected to public access radio voice systems, but they have improved the competitive edge of the cellular operators.

■ **Commercial vehicles:** by George Bennett

Truck market slows down

Several different factors, including the general election, have led to uncertainty

The UK truck market is heading for uncertain times after two years of strong growth. Last year, the total market above 3.5 tonnes grew by 17 per cent on 1994, to 52,261, according to figures from the Society of Motor Manufacturers and Traders, but manufacturers are now predicting a 1996 figure of only 50,000.

Low registrations in the first quarter of this year gave an annualised figure of 51,291, 2 per cent down on the 1995 total.

The underlying position may be worse than that – perhaps as much as 10 per cent down according to some observers – and was only rescued by a burst of registrations by the Iveco group in the last 10 days of March.

Heavy truck specialists Scania and Volvo expect the heavy truck sector (above 15 tonnes) to decline. Mr Ulf Bundell, the managing director of Scania (Great Britain), says: "The sector won't be as strong as last year; we expect it to end up between five and 10 per cent down on last year, at 29,000-30,000 units." Mr Alistair Robinson, Volvo's general manager for trucks, agrees with the figure, and says that one reason for the reduced demand is better efficiency on the part of operators. He says: "The distribution system is getting more efficient. Five or 10 years ago an FL10 fleet tractor was doing 70,000 miles a year, now 100,000 is not uncommon. People are squeezing more out of their trucks, and the trucks are better built so they can take it."

Leyland Daf, currently second in the overall market (above 3.5 tonnes) with a 17.4 per cent share, paints the most pessimistic picture. Mr David Gill, the managing director says: "There's a feeling that we've seen a significant slowdown in the market, and worse than the first quarter figures imply."

Third-placed Mercedes (17.0 per cent share) is cautiously optimistic. Mr Alan Grigg, Mercedes-Benz UK's general manager for commercial vehicle marketing, says: "There's been a slow rise in the medium van sector, and that's a barometer for the total commercial vehicle market. The market may be 2 per cent down for the first quarter, but a good September could change that to a plus."

Mr Grigg says that the market is difficult to predict, not least because of the impact of the change over to the new tighter exhaust emissions rules, known as Euro 2, which will apply to all trucks registered after October 1.

All manufacturers anticipate a September rush before the deadline as truck operators buy vehicles conforming to the current Euro 1 regulations, because they are cheaper. The introduction of Euro 1 in 1993 caused a considerable distortion in the market, and while most people expect the effect to be less this time round, no one is sure.

At Iveco Ford, which accounted for 92 per cent of Iveco group registrations (the rest going to Iveco-owned Seddon Atkinson) Mr Chris Christianson, the marketing operations director, expects the Euro 2 effect to add from 1,000 to 1,500 extra vehicles to the overall figure for the year, about half the increase preceding the introduction of Euro 1.

Mr Christianson is in the optimists' camp. He believes that demand for transport will be boosted by the increase in spending power in the economy from a combination of tax cuts, rebates from water companies and building societies, and continuing low interest rates.

All the same, he says that Iveco Ford had trimmed its predictions for the 1996 market from 56,000 at the start of the year to 50,000 now. He says: "We've always said that the normal replacement cycle meant a market of 52,000-55,000; last year was normal and this year will be normal."

At Mercedes, however, Mr Grigg suggests that the expected upturn in the economy in the second half of the year might not translate into more truck sales: "Re-fleeting may not happen," he says, "because so much has already happened after the recession."

Another factor affecting the new vehicle market is the over-supply of recent second hand trucks, which has driven their price down, making them an attractive alternative to buying new. Many of these vehicles arrive on the market in batches from expired contract hire deals. "The used vehicle problem may not go away," says Mr Grigg.

A further negative indicator is the 5 per cent decline in the tractor unit sector, which led the market out of the recession over the past three years. Sales of specialist construction vehicles remain depressed, with 32-tonne eight-wheelers down 30 per cent. Unlike the past two years, when the heavy end of the market led the recovery, this year the light end is the strongest.

The big contract hire and rental fleets have cut back their buying compared with the past 18 months. Mr Christianson says that last year's boom was created by contract hire and rental companies buying heavy trucks, but now they were being more circumspect.

Mr Robinson says: "Smaller operators are continuing to buy at a rate similar to last year's, but the very big operators are slowing down: there are few 100-plus truck deals at the moment."

Mr Tony Pain, Leyland Daf's marketing manager, suggests that contract hire and rental companies are holding back because "they are fearful of the manufacturers themselves getting into contract hire."

Scania has added a rental arm to its contract hire operation and Iveco Ford has set up a joint venture with Securicor to offer both short- and long-term rental. Both Volvo and Mercedes-Benz have been promoting their in-house contract hire for several years.

Mr Bundell says: "We need to provide that kind of service. Last year 20 per cent of our registrations were through contract hire and we expect that to grow to 25 per cent this year."

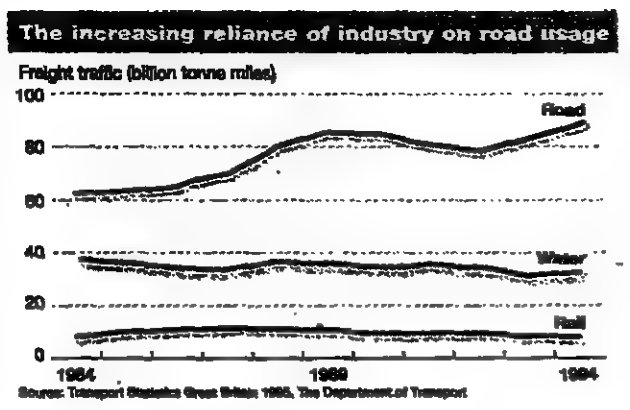
Mr Grigg sees contract hire as part of a range of services it needs to offer, from maintenance to finance: "We believe it's the age of the package sell. The market demands it, and it's an increasing part of our business."

Overhanging the whole truck market is the general election. It is no surprise that even here, opinion is divided. Mr Christianson says: "The election could knock us off course; it's one of the risks." At Mercedes-Benz UK, Mr David Thomas, director for trucks, was more sanguine: "With new Labour, from a business point of view there would be no change, so a change of government won't affect the market. But many of my customers may not take that view."

George Bennett is the editor of Truck magazine

> A negative indicator is the 5 per cent decline in tractor units

The increasing reliance of industry on road usage



Source: Transport Statistics Great Britain 1995, The Department of Transport

PROFILE The registration plate debate

August's uncontrolled bulge

Like Frankenstein's monster, the UK August new car sales "bulge" caused by annually changing the number plate prefix letter has become enormous and out of its inventors' control. After 30 years on the loose, it is now in the cross-hairs of industry and government. Soon, they intend, it will be dead.

Conceived as a means of helping space sales more evenly through the year – in the 1960s the peak traditionally came with the New Year in January – the August 1 introduction of a new registration letter at first achieved the intended objective. But the desire to be first on the block with the new letter has become so pervasive – among company car as well as private drivers – that August now accounts for 25 per cent of each year's total sales. July accounts for only around 2 per cent. Dealers report that the "August effect" shows up in declining orders as early as May. So sales dry up at the very time that cash flow is needed to prepare for the August rush and the extra stocking and other costs involved. Workshops become grossly overloaded as August 1 approaches, and feel cyclical aftershocks through the year as bunched service intervals appear.

Most dealers who in the past defended the system on the grounds that the "keeping up with the Joneses" factor meant incremental sales, now accept that it is anachronistic. Flexible manufacturing and computerised logistics systems mean that an industry already under fire for perceived high pricing now has the potential to cut costs substantially – and boost profits – by adopting lean distribution methods.

A prototype: how the new quarterly number plate might look

If continuing talks between industry, police and government departments progress as planned, by next April a new system will be in place. The fine detail has yet to be worked out; but it is expected to involve a number plate format change at least twice a year, perhaps even quarterly.

Fleet managers cautiously welcome the prospect as potentially making residual value calculations less complicated, as the current value gap between cars sold in the same year but with different number plate letters starts to recede in significance.

A smoother sales flow should ensue. "The UK industry can no longer afford the cost of the August aberration," says Mr Ernie Thompson, chief executive of the Society of Motor Manufacturers and Traders, which has been leading the drive for change.

John Griffiths

Method of allocating type of car(%)

	Total	Representatives	Middle management	Senior management	Directors/partners	Others
Specific car model	[illegible]	27	19	11	1	33
Limited range of specified cars	53	46	44	42	26	30
Free choice within a price range	66	29	30	46	68	30
Free choice up to engine capacity limit	6	4	5	5	4	5
UK-made car	4	5	5	4	4	2
UK/EC-made car	13	12	11	12	11	10
Used cars allowed	24	14	12	15	21	15

Source: Tolley Dial Survey of Company Car Schemes

■ **Specialist management:** by Martin Derrick

A full contract hire option

Outsourcing is a growing trend, but customers are becoming more demanding

Full contract hire may eventually become the preferred option for most company fleets. But for many years to come fleet management can be expected also to have a vital role to play. In these circumstances, an external specialist company not only takes on responsibility for operating a company-owned fleet, but also helps with acquisitions, maintenance, repairs, insurance and accident management and then disposals.

Mr David Knight, managing director of PHH Vehicle Fleet Services says: "Our figures show that 55 per cent of the fleet market is unserved – the companies buy and operate their fleets entirely in-house. Of the 45 per cent that is currently served by third parties, around 60 per cent is contract hire and 40 per cent variations of fleet management. All the indications are that many of those companies that are currently unserved are now looking at their options – probably considering some sort of finance arrangement first, but then also looking at other services. What is certain is that awareness is growing, but at the same time the market place is becoming much more sophisticated. Clients understand what they expect of a third-party specialist fleet management company and they also know that there is fierce competition for their business. Customers want more for their money and so we have had to evolve our range of products."

Examples he provides are accident management services, the provision of accurate information on whole-life costs, and the provision of outsourcing services – in which the third-party specialist takes full responsibility for the day-to-day operation of the fleet, including dealing direct with company car drivers and thus reducing the necessity for the company to employ a full time fleet manager and administrative team.

Mr Steve Dunn, commercial director at Lease Plan, suggests that outsourcing is a growing trend, but agrees that fleet management customers are becoming more demanding: "We used to be asked merely to provide cars at the best rate but now we find our customers wanting advice on finance, on the benefits packages they are offering their employees, on maintenance policies and insurance policies. We are finding they are prepared to pay more for extra service, though in turn, in order to provide that extra service, we are having to invest more heavily in data links, computers and systems generally. This is because the only thing that discriminates one fleet management company from another is levels of service, information, systems and the speed at which you are able to respond to your customers' needs."

Fleet management will continue to be in strong demand for the foreseeable future because many fleets are still operated without effective management controls, according to Mr Geoff Cobley, managing director of Fleet Management Services. There is no doubt that demand remains strong – but you have to get to know your client and see what their real needs are and then meet those needs; long gone are the days when you could offer a simple choice of contract hire, finance lease or a single fleet management package," he says. Now, he adds, fleet management companies have to target specifically the mix of services that most closely match the precise needs of the fleet.

According to GE Capital – which recently acquired Avis Fleet Services and Leasecontracts in the UK – bottom line costs remain vitally important to most fleet management customers. "Quite simply, our job is to help companies reduce vehicle operating costs," says Ms Teresa LeGrand, president and chief executive officer of GE Capital Fleet Services.

> 'Companies are under pressure to be more efficient and more focused'

"All companies are under pressure to be more efficient and they need more and more to focus on their core business. So the message is getting across that they do not need to own their vehicles – and that even if they choose to do so, they can still profitably outsource the management of the fleet. Company managers used only to concentrate on getting their assets at best cost – but now they realise that equal attention has to be devoted to operating costs such as maintenance, repair, fuel and insurance. We can provide an unrivalled depth of management information and data, economies of scale that derive from the sheer volume of business that we transact, and professionalism that comes from specialising in this field. What all this means is that we can reduce costs."

Meanwhile, many companies still wish to retain an element of fleet management control in-house, while still concentrating on that all-important cost control. At J. Sainsbury, what is described as the most advanced fleet management system on the market is employed: the Fleet Administration and Control System (Facs) from Godfrey Davis.

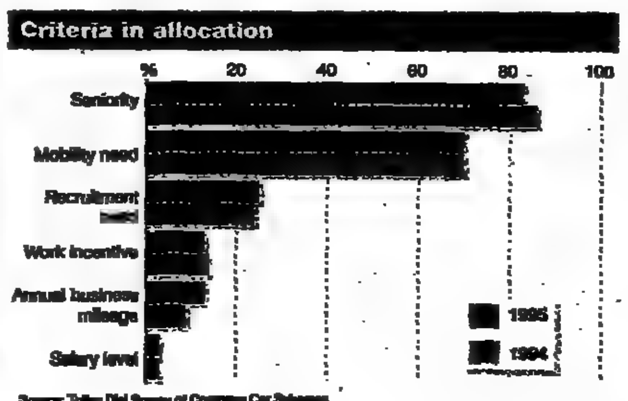
The on-line computer-based system is constantly updated by Godfrey Davis to provide all the information needed for effective fleet management and it also provides full vehicle details, taxation information and P11D and P46 reporting in order to minimise fleet users administration. The system can also be used for quoting and re-ordering of vehicles as well as analysing costs such as fuel and servicing charges.

Mr Nigel Smith, responsible for the purchase of the J. Sainsbury fleet, says: "Cost control is central to our business and the Facs system provides us with the valuable management information which helps us to achieve this objective."

Mr John Lyons, managing director of Godfrey David says: "This technology points to the future of company car fleet management. It gives us the ability to respond to the issues of the day with timely and accurate information, data which enables our customers to take fleet decisions speedily, whilst simultaneously minimising administration."

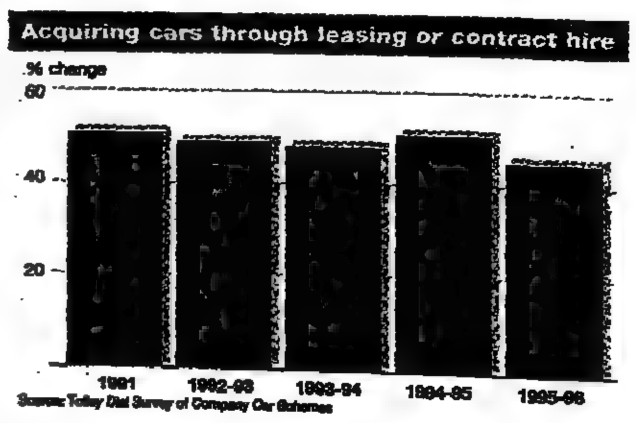
Martin Derrick is a freelance journalist specialising in the motoring industry

Criteria in allocation



Source: Tolley Dial Survey of Company Car Schemes

Acquiring cars through leasing or contract hire



Source: Tolley Dial Survey of Company Car Schemes

Private use by employee category (%)

	Representatives	Middle management	Senior management	Directors/partners	Others
All costs paid	43	42	55	[illegible]	48
Staff pay for private fuel as they use it	46	44	38	15	39
Staff pay fixed cost per mile to cover private use	3	3	2	-	3
Staff pay for all fuel then reclaim business use at fixed cost per mile	8	11	7	5	9

Source: Tolley Dial Survey of Company Car Schemes

مكذا من الأصل

LEGAL DEFINITIONS

affidavit *n.* 1 agreeable Welsh farmer 2 written statement produced in court which should be carefully drawn up. see ROWE & MAW: asap (*ph* 0171-248 4282)

Rowe & Maw

LAWYERS FOR BUSINESS

FINANCIAL TIMES

COMPANIES & MARKETS

Thursday April 25 1996

IN BRIEF

Page 27

Compaq reports 42% sales jump

Compaq Computer of the US charged ahead of competitors in the personal computer industry in the first quarter with a 42 per cent jump in sales at a time when its rivals have reported sluggish sales in the US. Net income for the quarter was $234m against $216m a year ago. Page 23

Philips slides in line with warning
Philips, the Dutch consumer electronics group, reported a substantial slump in first-quarter profits amid weakening demand for semiconductors and consumer products. The results were in line with a warning issued in March. Page 20

Roche workforce declines 18%
Roche, the Swiss drugs company, cut its workforce 18 per cent last year after its $5.3bn acquisition of Syntex, the US drugs company. Net profits for 1995 rose 18 per cent to SFr3.37bn ($2.73bn). Page 21

Lucent loses $103m in opening term
Lucent Technologies, the telephone equipment company spun off from AT&T this month in Wall Street's biggest public offering, made a net loss in its debut quarter of $103m, at the low end of the company's forecast. Page 23

Bank of Scotland puts focus on Asia
Bank of Scotland, the UK clearing bank, aims to build on its expanding presence in Australia and New Zealand to "open a gateway" to the Asia-Pacific region. Page 26

May grain futures reach record
The Chicago grains market reached another record high when the wheat futures contract for May hit $6.65 a bushel. Page 29

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Beiersdorf	1300	+	133
FWA	203	+	8.5
Porsche	847	+	17
Rheinthal	115	+	8
Schmalbach Lub	258	+	13
Falls			
Rheinmetall Pf	177	−	10
NEW YORK ($)			
Rises			
Compaq Comp	47⅞	+	3¾
Storage Tech	28⅝	+	2¼
Times Mirror	54	+	4¼
Falls			
Natl Power	34⅝	−	2¼
Powergen	35¼	−	2¼
Revco	23⅝	−	2¼
LONDON (Pence)			
Rises			
Andrews Sykes	390	+	22
Bentalls	111	+	11
Daily Mail A	1623	+	123
Telegraph	335	+	95
Falls			
Midlands Elec	371	−	40
Southern Elec	824	−	79
TORONTO (C$)			
Rises			
Dorowest GI	39	+	3.30
Future Shop	12.8	+	1.15
Peinted Sys	7.5	+	0.9
Falls			
Archer Sys	11.75	−	0.65
Dayster Res B	10	−	0.75
Schneider A	13.5	−	0.75
PARIS (FFr)			
Rises			
Dancaire Comp	571	+	34
Club Med	489	+	27
Legris	280.1	+	8.8
Plassit Printemp	1500	+	77
Vallourec	262	+	10.5
Falls			
Accor	773	−	19
TOKYO (Yen)			
Rises			
Arabian Oil	3310	+	110
Jeagami Tsush	847	+	47
Kawasaki Kisen	403	+	12
Sanden	786	+	31
Sumitomo Rlty	859	+	36
Tokyo Gas	396	+	11
HONG KONG (HK$)			
Rises			
Hol Sing	1.38	+	0.44
Leading Spirit	2.625	+	0.15
Midland Realty	3.825	+	0.225
Sing Tao	4.475	+	0.3
Tai Ping Carpts	2.5	+	0.25
Falls			
Tsingtao Brew	1.97	−	0.155
BANGKOK (Baht)			
Rises			
Interlife Ins	64	+	5
Krungdhep	139	+	11
Post Publish	191	+	17
Falls			
Jack Chia	30.25	−	4.75
Nontherai	29	−	4.75
Soonpasong Lnd	23	−	2.5

New York and Toronto prices at 1230.

Bonds spur 13-fold rise at Nomura

By Gerard Baker in Tokyo

Nomura Securities, the largest of Japan's "Big Four" stockbrokers, signalled the end of the long drought for the country's securities companies yesterday when it declared a 13-fold increase in pre-tax profits for the year to the end of March.

The improvement was largely the result of substantial gains in the bond market caused by the sharp fall in interest rates during the period.

Recurring profit – before extraordinary items and tax – at the parent company, rose from Y6.8bn to Y91.5bn, the best result by any Japanese stockbroker for five years. Operating profit was Y90.5bn ($845.8m) on total revenues of Y432bn, up 29 per cent. The results were in line with Nomura's forecasts.

After-tax profit grew just 15 per cent to Y32.1bn, as a result of a Y23bn charge for disposing of 26 of the company's 30 mainframe computers.

Nomura's results are the most concrete evidence yet of improving conditions for Japan's securities houses, which are benefiting from a favourable bond market and a recovery in the equity market. The Nikkei index of 225 leading stocks has now risen more than 50 per cent from its low point last summer.

Nomura's profits are still a far cry from the late 1980s, when stock trading volumes of 1bn shares a day helped it to record annual pre-tax profits of well over Y300bn.

Nomura said stock brokerage commissions rose 15 per cent to Y105.6bn, while bond brokerage commissions were up 68 per cent to Y29.8bn, thanks largely to gains in the convertible bond market.

Underwriting commissions were mixed. The company underwrote bonds with a total value of Y3,340bn, up 8 per cent, but this trailed the market. There was a 22 per cent fall in the total value of shares underwritten to Y305bn. Total underwriting commissions fell 11 per cent to Y43.5bn.

The really substantial gains came from bond trading. Short and long-term interest rates hit a low last summer, and have risen only slightly since. As a result, Nomura's net gain on its proprietary bond trading was up 179 per cent to Y71.5bn.

Net interest and dividend income rose 39 per cent to Y58.54bn. Distribution commissions, mainly from investment trust business, were relatively strong at Y30.8bn, a 9 per cent advance.

The company struggled to control costs. Overall selling, general and administrative costs rose 3 per cent to Y321.7bn.

Staff numbers have fallen about 10 per cent from their peak of five years ago.

The broker will pay a dividend of Y11, an increase of Y1, to mark the 70th anniversary of its foundation. It will publish its consolidated results next month.

FedEx criticises 'restrictive' UK policy

By David Owen in Paris

The chairman and chief executive of Federal Express, the world's largest express parcels group, has attacked the restrictive nature of UK aviation policy, saying the government's attitude had undergone a profound change since Sir George Young took over as transport secretary from Mr Brian Mawhinney in July last year.

Mr Frederick Smith's remarks came as Federal Express announced an expansion of its main European distribution centre at Paris Charles de Gaulle airport. It said the move could result in $200m of investment over 10 years and the creation of up to 3,000 jobs.

The company said the French expansion would not result in its UK cargo operations at Stansted Airport in Essex being diminished "in any way".

Stansted, however, had not been considered a possible site for the new investment, according to Mr Smith, because the "British aviation regime is highly restrictive and does not lend itself to that".

He added that the government was not "of a liberalised mind at the moment" and that the "restrictive regime in the UK costs it business".

There are at present tight restrictions on the movements of US cargo airlines operating from the UK. These have been the subject of negotiations between the US and UK governments, with the US demanding greater freedom for US cargo operators.

Mr Smith was "certainly not very optimistic" about an acceptable deal being hammered out in the near future. "I think the aviation policy of the UK since the change of secretary of state has undergone a profound change."

The company said the French government had assured it that, in the event of industrial action or civil strife such as that which brought the country to a virtual standstill late last year, its operations would be "handled on a priority basis". The strikes forced the group last December to move its main European distribution centre temporarily from Paris to Stansted.

The company, which recently established an Asian distribution centre at Subic Bay in the Philippines, is the world's largest freight carrier. In 1994, it carried 3.2m tonnes of cargo, more than three times as much as Germany's Lufthansa, its nearest freight competitor.

Bankers present fresh face to corporate world

Wall Street's hired guns move into the shadows

Mr Brian Finn must be the first banker on Wall Street to be famous for not being famous.

A 35-year-old who jointly runs mergers and acquisitions at CS First Boston, Mr Finn has been at the centre of some of the most prominent mergers and acquisitions in what has become Wall Street's biggest takeover wave. He advised Seagram, the Canadian drinks group, on its acquisition of MCA, the entertainment concern and IBM on its unusual hostile bid for Lotus, the US software company.

However, one of the most notable – and most discussed – things about Mr Finn is his lack of prominence in the media and his understated style. Mr Finn comes across as a sort of high-powered, but otherwise unremarkable, technician.

It is a far cry from the 1980s, when two predecessors at First Boston – Mr Bruce Wasserstein and Mr Joseph Perella – defined the high style of the Wall Street hired gun. The change is no accident. After the rampant self-mythologising indulged in by investment bankers during the last takeover wave, there is agreement that Wall Street needs to present a different face to the corporate world.

"Clients don't want stars anymore – they [just] want quality advice," says Mr Finn. "There's been something of anti-star backlash." The First Boston banker adds, though, that his style, which he defines as low-key, comes naturally. Mr Finn is not alone in sensing the backlash. A counterpart at another bank says: "We're all being paid these days to make our clients look smarter – then they come back and use us again."

And a well-known figure at a third leading investment bank, explaining why he does not grace the pages of glossy magazines, adds: "Everyone realises it caused problems and resentments [in the 1980s]. There is a studious effort to not be visible as to one's lifestyle."

The change in style is not the only thing that is different about Wall Street in the midst of its latest mergers and acquisitions spree. Some of the most prominent advisers from the 1980s, though present, have played minor roles in the current reshaping of corporate America: Mr Wasserstein, Mr Bob Greenhill and Mr Eric Gleacher, big names from the 1980s, no longer command centre stage.

A notable exception is Mr Perella, who has arguably become Wall Street's top dealmaker since moving to Morgan Stanley two years ago and has advised on deals such as the Ciba/Sandoz merger (though Mr Perella, too, avoids the limelight these days).

But it is a new generation of bankers which has led the charge. Many of them are specialists rather than old-fashioned generalists, reflecting the move by Wall Street houses, as they have grown, to organise themselves around industry groups. They include people such as Mr Steven Rattner, a media and telecommunications banker at Lazard Freres, and Mr Gary Parr, the Morgan Stanley adviser credited with masterminding a restructuring of the US insurance industry.

While some of the faces have changed, though, the banks which dominate the M&A business remain the same – another indication, perhaps, that the advisory business is not as dependent on larger-than-life personalities as had seemed the case. Names such as Goldman Sachs (which long eschewed the star culture), Morgan Stanley, First Boston and Lazard Freres still figure prominently in league tables of advisers.

The question for these banks now is: where will they be when the next takeover wave breaks over Wall Street?

There are signs that the competitive forces are shifting. New competitors, in the shape of commercial banks, are trying to build M&A businesses of their own. And the fees to be made out of takeovers, though still large, are not as big as they once were.

So far, J. P. Morgan has been the only commercial bank to break into the top ranks of advisers, though its successes in the US do not quite match its prominence in European dealmaking. But a group of other banks, mainly from Europe, has started to compete for M&A talent.

Mr Richard Barrett, a former managing director from Salomon who runs the financial institutions group at Union Bank of Switzerland in New York, says the Europeans, having focused most of their recruiting up to now on the capital markets side, are turning their attention to advisory businesses such as M&A. He concedes, though, that challenging the established Wall Street houses will be tough – particularly given their concentration on industry specialisation.

The newcomers are also trying to grow through industry focus. Mr Barrett says UBS is trying to develop an investment banking presence in the financial institutions, energy and high-tech sectors – the same areas targeted by Mr Carter McLelland, head of Deutsche Bank Morgan Grenfell. This month, Deutsche scored a coup, luring a highly regarded team of high-tech investment bankers from Morgan Stanley.

Although the Europeans do not yet represent much of a threat to the established banks, there are signs that fee levels may be under pressure. While takeover activity in the US reached a record last year, the fees paid to investment banks failed to top $1bn (see chart).

That reflects the decline in more highly-rewarded hostile and leveraged transactions. However, it is also a result of growing competition, says Mr Rattner at Lazard – though, he adds, it is "very much at the margin".

The increasingly international nature of the takeover business is also likely to change the competitive ground rules, playing to the strengths of the biggest banks. "The landmark transactions have become more global in nature," says Mr David Deming, a managing director in the M&A department at J. P. Morgan.

For now, though, the takeover activity is benefiting mainly the established names. Says Mr Rattner: "Am I worried about losing a piece of business to Deutsche Bank? No. With the exception of J. P. Morgan, which has done terrifically, the rest of them don't add up to lunch."

Richard Waters

M&A fees paid to investment bankers

Year	$m
1989	1,264
[illegible]	[illegible]
1991	328
[illegible]	[illegible]
1993	414
[illegible]	[illegible]
1995	954

Source: Securities Data

Mannesmann in accounts attack

By Michael Lindemann in Düsseldorf

Mannesmann, the German mobile phones to tanks conglomerate, yesterday called other leading German companies "wrongdoers" for adopting US-style accounting procedures when German companies should be showing a united front against competing international standards.

Mr Klaus Esser, finance director, said companies such as Daimler-Benz, Bayer and Veba should not have opted for US accounting standards, a move which had created "confusion" for smaller groups still using German accounting standards.

Speaking at the annual press conference, at which the group reported a slow first quarter, Mr Esser said Mannesmann wanted to ensure that at least two features of the present German accounting procedures were preserved if, as planned, the various international accounting bodies can agree on a common international standard by around 2000.

He said German companies, which practise more conservative accounting than their Anglo-Saxon counterparts, should be allowed to treat start-up losses more conservatively and to use the so-called completed contract method, whereby large projects such as plant contracts can be treated over a number of years rather than immediately a contract is signed.

The group, meanwhile, said preliminary figures showed first-quarter sales had risen to DM7.1bn ($4.67bn), 3 per cent up on a year earlier, while new orders had slipped 2 per cent to DM9bn. First-quarter earnings were higher than during the same period last year, said Mr Joachim Funk, chief executive.

However, Mr Funk warned there was no end in sight to the "dip" in the German economy which began in the second half of 1995. "Today we can only guess about how long this period of weakness will last."

The group's exports are likely, however, to benefit from the slowly rising dollar which Mannesmann had forecast at a level of DM1.45 for this year but which yesterday stood at DM1.52.

Mr Funk said the company hoped to announce a foreign partner for Mannesmannrohr, its seamless pipe operation which has sales of about DM1.6bn.

Saab plunges back into losses

By Hugh Carnegy in Stockholm

Saab Automobile plunged back into losses in the first quarter of the year, underlining the task facing co-owners General Motors and the Wallenbergs in their struggle to secure a stable future for the Swedish carmaker.

A 12 per cent fall in car sales and high product development and marketing costs pushed Saab to a loss of SKr333m ($50m) in the first three months, compared with a profit for the same period last year of SKr111m.

Saab's loss cast into doubt whether the company will be able to achieve a profit this year after just managing to stay in surplus in 1995. Mr Keith Butler-Wheelhouse, chief executive, warned that heavy product development costs and a step up in marketing efforts would hit performance throughout the year.

"It is very hard right now to say whether we will be able to stay in the black this year. The margins over this year and next year are going to be very tight," the company said.

Saab has been a heavy loss-maker for most of the period since GM bought a 50 per cent stake and took over management control in 1989, achieving a full-year profit only in 1994 and 1995. A slide back into difficulties in the third quarter last year apparently prompted Investor, the Wallenberg holding company which owns the other 50 per cent, to question Saab's future.

Both GM and Investor have since restated their commitment to Saab and are discussing with banks a new financing package to fund efforts to produce new models and increase low volumes. A decision is expected next month. Together, the two owners have pumped in more than SKr8bn in capital since 1989.

Turnover fell from SKr5.3bn to SKr4.56bn. Operating income slumped from a SKr252m profit to a loss of SKr147m. In North America, Saab's biggest market, car sales fell 21 per cent to 5,900 units.

Volvo warning; Fiat results, Page 20

Fiat confident on prospects despite first-quarter drop

By Andrew Hill in Milan

Pre-tax profits at Fiat, the Italian automotive and industrial group, fell 24 per cent in the first three months of this year and operating margins were significantly down on the first quarter of 1995.

The news, which coincided with Fiat's annual celebration of its products at the Turin motor show, disappointed analysts and took the edge off the company's announcement that 1995 group profits had doubled to L2,147bn ($1.38bn) after tax.

Fiat also proposed doubling its dividend to L100 per ordinary share, and increasing the payout to savings shareholders from L110 to L130 a share.

Separately, Mr Giovanni Agnelli, now honorary chairman of Fiat, yesterday confirmed that his family would buy the 2 per cent stake in Fiat that Alcatel of France has said it wants to sell.

Operating margins in the first quarter slipped from 4.4 per cent to 2.5 per cent, which Fiat blamed on reduced profitability in Brazil, the strengthening lira and heavy price competition in Europe. Profits reached L464bn before tax in the quarter, against L608bn in the equivalent period.

Fiat said it was still increasing sales and market share with the help of new models. The group added that it had budgeted for the first-quarter downturn and expected "a significant improvement" for the rest of the year.

Group net profit rose from L1,011bn to L2,147bn in 1995 and parent company profit from L56bn to L515bn.

The increase was heralded in January, in Mr Giovanni Agnelli's last letter to shareholders before his retirement as chairman.

The strength of Brazilian operations and the weakness of the lira were both important factors in Fiat's recovery from record losses in 1993. Brazil contributed an estimated L600bn-L650bn in profit last year.

Volvo chief signals weaker first quarter

By Hugh Carnegy in Stockholm

Volvo, the Swedish car and truck manufacturer, warned that sales of both cars and trucks were lower than in the same period last year, apparently signalling weaker first quarter results due next week.

Mr Sören Gyll, chief executive, added that the group, which is battling to carve out a future as a medium-sized independent manufacturer, would seek "effective and in-depth co-operation with sub-suppliers, other automotive manufacturers and development companies" in its effort to remain competitive.

But Mr Gyll reiterated Volvo's commitment to a heavy programme of investment in "strategically important areas" designed to secure its long-term independence. He said its target over an industry cycle was to achieve an average return on capital of 12-15 per cent and operating margins of 5-7 per cent.

His remarks to Volvo's annual shareholders' meeting in Gothenburg were well received by investors, prompting the group's most-traded B share to rise SKr4.00 to SKr159 on an otherwise weak Stockholm bourse yesterday.

Mr Gyll said sales of Volvo trucks in the US and South America had been weak so far this year. Volvo said it expected total truck sales in Brazil, one of its main markets, to fall to 15,000 vehicles this year from 25,000 in 1995.

Car sales had also been weaker than during the same period last year, especially in Europe.

Philips slides in line with warning

By David Brown in Eindhoven

Philips, the Dutch consumer electronics group, yesterday reported a slide in first-quarter profits amid weakening demand for semiconductors and consumer products.

Operating profits for the three months ending March fell from Fl 940m in the same period last year, to Fl 690m ($406m). The results were in line with a warning issued in March.

Net profits from normal business operations slipped from Fl 544m to Fl 377m. Owing to a Fl 115m jump in extraordinary income to Fl 315m, associated with a public offering of Philips' shares in ASM Lithography, the group made a net profit of Fl 692 against the Fl 744m of last year. Overall turnover advanced 7 per cent to Fl 15.63bn.

The group was cautiously optimistic that its troubled consumer division would return to the black by the year-end, and that its earnings from normal operations would at least match the Fl 2.68bn of 1995.

Mr Dudley Eustace, finance director, said Philips had based this forecast on the expectation of a modest economic revival in North America and Europe for the second half of this year.

Because of organisational changes, all divisional figures were restated for purposes of comparison.

In components and semiconductors, Philips managed a 17 per cent increase in volume sales to Fl 2.89bn, while operating profit fell from Fl 510 to Fl 496m year-on-year. This decline was attributed to a strong erosion in semiconductor prices, especially for bulk memory and commodity chips in North America and Europe. The profitable components unit was able to "hold its own" and in some cases push through higher prices, and growth was more vigorous for application-specific products.

Mr Eustace cited independent market research indicating that the overall market in which this division competed was still softening in North America but had stabilised in Europe.

He said Philips had not yet decided whether to float a shareholding in Taiwan Semiconductor Manufacturing Company in the second or third quarters of this year, but it intended to remain the single largest shareholder after the deal.

In the consumer products sector, Philips slipped from a profit of Fl 162m to a loss of Fl 52m on 3 per cent higher sales of Fl 5.13bn. Mr Eustace said the company hoped lower costs and better inventory management would enable it to return to the black by the end of the year.

Results at Grundig, Philips' loss-making German subsidiary, were worse than last year but in line with expectations. Although "on target" with its rationalisation plan, the unit would probably end the year in the red.

Philips' strategic push into mobile communications was a drag on the consumer divisions' results had been. Mr Eustace said these activities, which ranked "9th or 10th in the world" after such market leaders as Motorola, Ericsson and Nokia, would likely show a loss this year and next.

Philips confirmed that its new software and services sector – which groups its interests in PolyGram, Philips Media, Origin and Superclub – was one of nine bidders for MGM, the Hollywood film studio. Sales for this division advanced 3 per cent on a comparable basis to Fl 2.44bn, but earnings slipped from Fl 180m to Fl 162m.

The lighting division, traditionally a cash cow, delivered stagnant sales of Fl 2.16bn and a Fl 4m drop in operating results to Fl 274m.

Siemens 'on target' after midterm gain

By Wolfgang Münchau in Frankfurt

Siemens, the German electronics group, yesterday maintained that it was "on target" to achieve its forecast of net profit growth of between 20 per cent and 25 per cent in its current fiscal year.

The group reported yesterday that net profits during the six months to end-March rose from DM939m to DM1.08bn ($711.5m), a 15 per cent increase, but the company traditionally earns the largest part of its income in the second half.

Siemens' ability to meet its target will depend on a sustained favourable exchange rate – following the D-Mark's recent modest depreciation against other currencies – and the general economic outlook.

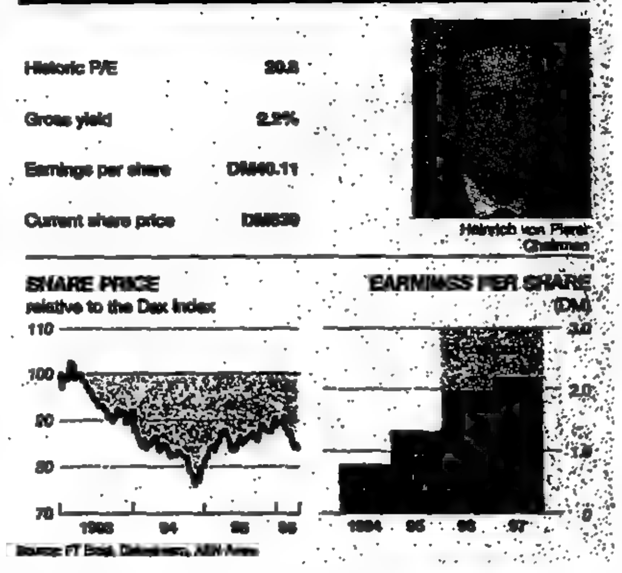
The group gave no profit breakdown of its divisions, but all units, except the fledgling networking division, are believed to be on course for profits by the end of the fiscal year. The German economic downturn has affected Siemens' industrial activities, including the automation and plant construction units, but there was at this stage no sign of recession, it said.

PROFILE:

SIEMENS

Market value: $30.3bn Main listing: Frankfurt

Historic P/E	20.8
Gross yield	2.2%
Earnings per share	DM40.11
Current share price	DM839



Source: FT Extel, Datastream, ABN Amro

Siemens warned, however, that it was sticking to its forecast of 7,000 job losses in its German workforce by the end of the fiscal year. Siemens is Germany's second-largest industrial company after Daimler-Benz.

Orders rose 5 per cent, mainly due to strong demand from abroad (up 8 per cent), while in Germany orders only rose by 1 per cent compared with last year's figure.

Mr Peter Thilo Hasler, analyst at Vereinsbank Research, said that "Siemens has a book-to-bill [order to turnover] ratio of 1.13, which is encouraging and which has not deteriorated since the end of 1994." He said the improved performance by KWU, Siemens' energy unit, was particularly encouraging.

The strong rise in international orders was largely the result of growth in Asia-Pacific (up 26 per cent) and in the Americas (up nearly 15 per cent). Total sales rose 6 per cent to DM42.3bn, made up of a 14 per cent rise in international business and a 5 per cent decline in Germany.

Of the divisions, the semiconductors group has remained the most profitable part of the company. The communications and components business experienced double-digit order growth. The transport unit suffered a decline in Germany which overshadowed an improved international performance.

Siemens also said "cost-savings reforms in the public health sector led to a drop in domestic orders for the medical systems group."

Lex, Page 18

NEWS DIGEST

Stet increases its full-year dividend

Stet, the state-controlled Italian telecoms holding company, proposed an increased full-year dividend of L130 per ordinary share, against L110 last year, and L150 per savings share, against L130. The centre-left Olive Tree political alliance, victorious in Sunday's elections, has said it aims to sell off the state's majority stake in Stet by the year end.

Stet's net profits 30 per cent rose to L2,452bn ($1.58bn), while parent company profit up 23.5 per cent to L1,104bn. Stet, which controls Telecom Italia and Telecom Italia Mobile, achieved sales of L37,400bn in 1995, against L33,752bn a year before.

Andrew Hill, Milan

Frère builds CLT holding

Mr Albert Frère, the Belgian financier, acquired through his Groupe Bruxelles Lambert a substantial additional stake in Compagnie Luxembourgeoise de Télévision, the media group at the centre of a European television battle. Paribas, the French financial institution, sold a 15.6 per cent stake it held in Audiofina, which controls CLT. Union des Assurances de Paris, the French insurance group, ceded its 1.6 per cent stake to the same purchaser. The sales to Electrafina, controlled by Mr Frère, increased his direct or indirect stake in CLT substantially.

Andrew Jack, Paris

Accor boosts income 38%

Accor, the French-based leisure group, announced 1995 net income up 30 per cent to FFr923m after substantial exceptional items including asset sales. The group also provided details of its proposed share-swap to acquire the outstanding 26.3 per cent it does not hold in IBL, parent of the US-based Motel 6 chain. Shareholders would receive 3 Accor shares for every 11 IBL shares. Turnover fell 7.3 per cent to FFr31bn ($6bn), while operating profits rose 30 per cent to FFr1.3bn. Exceptional gains were FFr643m against FFr237m, including capital gains on the sale of Eifthor, a catering business, to the UK Compass group. Net debt fell 9 per cent to FFr19.4bn. Mr Gérard Pélisson, joint chairman, said he had identified scope for further asset sales of FFr5bn-FFr6bn during 1996-97.

Andrew Jack

Cerus back in the black

Cerus, the French holding company controlled by Italian industrialist Mr Carlo de Benedetti, confirmed it was prepared to sell its 27.7 per cent stake in Valeo, the French automotive components group at the right price. But Mr Michel Cicurel, Cerus managing director, insisted it would not be a forced seller and would demand a big premium. "We believe that the prospects for Valeo in the next few years are brilliant", he said. His comments came as Cerus announced a return to profitability after a FFr675m loss in 1994. Net income for 1995 amounted to FFr60m.

David Owen, Paris

■ Kaufhof, the German retail group, said group sales climbed 3.7 per cent to DM5.755bn ($3.78bn) in the first quarter. It said it would be able to increase earnings above 1995's figure of DM221.2m.

AFX News, Cologne

■ Deutsche Telekom, the German telecoms operator due to be partially privatised later this year, said it had appointed Citibank as the depositary bank for the American Depositary Receipts (ADRs).

Michael Lindemann, Bonn

■ Hapag-Lloyd, the German shipping and tourism group, increased operating profits 20 per cent to DM280m ($184m) in 1995, helped by a turn-round in its container division from a DM15m loss to a DM45m profit. It will increase its total dividend by DM2 to DM16.

Charles Batchelor, Transport Correspondent

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Roche workforce cut 18% in restructuring

By Daniel Green

Roche, the Swiss drugs company, cut its workforce by 18 per cent last year, to 50,497, in the restructuring that followed its $5.3bn acquisition of US drugs company Syntex in October 1994.

The pharmaceuticals industry has undergone a series of mergers and acquisitions over the last three years, but the job losses at Roche are among the highest in the industry.

The company said: "The reorganisation carried out in conjunction with the Syntex integration has resulted in appreciable cost savings. Measures to raise productivity continued to be systematically pursued in all divisions."

The job figures were published with results for 1995 that showed net profits rising 18 per cent to SFr3.37bn ($2.74bn) from SFr2.86bn in 1994.

But shares in the company fell after the announcement, as a special dividend to celebrate the company's centenary disappointed some investors.

The 100th anniversary warrant is worth SFr36 a share. "Some market participants had expected as much as SFr500," said Ms Birgit Kulhoff, pharmaceuticals analyst at UBS in Zurich.

There was a 16 per cent rise in the dividend, excluding the special warrant, to SFr64, and Roche Holding's dividend-rights certificates recovered their earlier losses to close up SFr35 at SFr9,630.

Holders of shares and non-voting equity securities may elect to receive SFr36 cash instead of the "Roche 100" warrant. Both the initial value of the warrants and its cash equivalent are subject to Swiss Federal withholding tax.

Because of restrictions imposed by US securities laws, the warrants will not be issued to or for the account of US holders of shares, non-voting equity securities or ADRs, the company said.

Roche's 1995 sales rose to SFr14.45bn from SFr13.76bn. The rise was 5 per cent in Swiss francs and 16 per cent in local currencies. Turnover at the pharmaceuticals division rose 11 per cent to SFr9.25bn from SFr8.34bn. The rise was 23 per cent in local currencies.

Sales at the vitamins and fine chemicals division fell 5 per cent in Swiss francs to SFr3.06bn from SFr3.2bn, but were up 5 per cent in local currencies.

Fragrances and flavours' turnover also fell, down 6 per cent to SFr1.44bn from SFr1.53bn. The local currency rise was 4 per cent.

In the diagnostics division, excluding Roche Biomedical Laboratories which was demerged into a joint venture in May 1995, sales rose 6 per cent to SFr640m, from SFr605m, a 15 per cent rise in local currencies.

Belgacom to challenge GSM licence demand

By Greg McIvor in London and AFX News in Brussels


John Goossens: optimistic on 1996 prospects Picture: Reuter

Belgacom, the Belgian telecoms operator, said yesterday it would challenge any government decision to demand a BFr9bn ($288.6m) payment for its GSM digital mobile telephone licence.

Mr John Goossens, chief executive, threatened to take the case to the European Court of Justice if necessary. "If we come to a crazy solution we will have no choice but to take [it] as far as it needs to defend our case," he said.

Mr Goossens was commenting at a news conference on the 1995 results, which included a BFr9bn provision for the licence.

The company reported a rise in net profits from BFr9.7bn in 1994 to BFr10.7bn last year. Sales rose from BFr117bn to BFr127.1bn.

The Belgacom chief predicted sales would rise close to BFr140bn in 1996 and net profits would be between BFr11bn and BFr12bn. He said prospects for 1996 were good both in connections and mobile growth.

Operators in Spain, Italy and Austria were also prepared to take legal action, referring to similar fees ordered by the European Commission to even up competition between GSM operators, he said.

Mr Goossens said it was not fair competition for Belgacom to pay BFr9bn in order to match the amount paid by Belgium's second GSM operator, Mobistar, which is majority-owned by France Télécom. He said Belgacom was prepared to pay the minimum BFr3.5bn set by the government.

Mr Goossens suggested Belgacom had been kept in the dark over the latest government deliberations on the demand for the GSM licence fee, but added that any European Court case could be handled in "a gentle way" to avoid conflict with its government owner.

Belgacom is 50.1 per cent owned by the Belgian government and 49.9 per cent by a consortium including Ameritech of the US, Singapore Telecom and Tele Danmark.

Stora registers 34% drop in net income in opening quarter

By Hugh Carnegy in Stockholm

The recent downturn in pulp and paper markets was demonstrated yesterday when Stora, one of Europe's leading forestry products groups, reported a 34 per cent fall in first-quarter profits.

The Swedish group said income after financial items tumbled from SKr1.84bn in the same period last year to SKr1.2bn ($178.8m), broadly in line with market expectations.

Mr Lars-Ake Helgesson, chief executive, was careful not to raise expectations of a quick turnround in the highly cyclical industry, which has seen falling prices and lower demand in many segments in recent months. "We don't see any substantial change in the market outlook over the next half year," he said.

Stora's sales slipped during the period from SKr14.3bn last time to SKr12.4bn, due to a combination of lower volumes and to deliberate fall in production to match lower demand. Earnings per share fell from SKr3.70 to SKr2.50.

Operating profits fell from SKr2.1bn to SKr1.35bn, but pre-tax earnings were buoyed somewhat by a fall in financial costs from SKr266m to SKr140m, mainly because of lower interest rates.

Operating margins in two of Stora's main areas, printing papers and board and packaging papers, also remained stable at 19 per cent and 15 per cent, respectively.

However, the group saw sales in all product segments fall, with all areas except printing papers showing lower operating income, or losses.

One of the hardest hit areas was pulp, where sales slipped from SKr1.76bn to SKr1.1bn and an operating profit of SKr423m in the same quarter last year was followed this year by a SKr36m loss. Mr Helgesson said it was possible that pulp inventories would begin to reduce in the coming months. A sharp build-up in stores has been a factor in the collapse of long-fibre pulp prices from $1,000 a tonne six months ago to below $600.

Less gloomy for Stora, which is not heavily weighted in pulp, were the results for printing papers, and board and packaging papers. Sales of printing papers reached SKr3.7bn compared with SKr3.8bn last time, while operating profits jumped from SKr468m to SKr832m, reflecting higher prices for newsprint.

Board and packaging paper sales fell from SKr3.7bn to SKr2.5bn, leaving operating profits down from SKr492m to SKr371m.

Mr Helgesson stressed that performance was still at 1994 levels, when the industry recovered sharply from the deep slump of the early 1990s, before hitting record highs in the first half of last year.

Sharp profit reverse at Lego

By Hilary Barnes in Copenhagen

Net profits at Lego, the Danish toys group, more than halved last year, from DKr470m in 1994 to DKr233m ($39.8m), as sales slid 8.6 per cent from DKr5.70bn to DKr5.21bn.

The fall was blamed on tough competition in the toys market from PC and CD-Rom products, fierce price competition, a fall in the average level of consumers' expenditure in several main markets, and adverse foreign exchange movements.

Profits after net financial items were down by 40 per cent from DKr697m to DKr418m, and profits before net financial items fell from DKr859m to DKr497m.

The published accounts cover 23 of the 50 companies owned by the unlisted, family-controlled Lego business and 5,489 out of the group's global workforce of 8,890. The companies not covered by the published accounts are controlled from Switzerland.

While 1995 did not live up to expectations, the executive directors' report said there was no reason for pessimism.

Lego will itself take up competition with digital products by launching its own CD-Rom this year. It also expects that the Legoland leisure park at Windsor, near London, which was opened in March, will generate interest in Lego products not only in the UK but all over Europe. Windsor is the first of a series of planned international leisure parks. The next is due to open at Carlsbad, California, in 1999.

Lego said that global sales to retailers last year were down 2 per cent. Sales in the US and Canada were up 6 per cent and in Japan, Korea and China by more than 15 per cent. But sales in Europe disappointed, falling by 6 per cent.

COMPANIES AND FINANCE: THE AMERICAS

Reorganisation blamed for downturn at Unisys

By Louise Kehoe in San Francisco

Unisys reported deeper than expected losses for its first quarter as the US computer and information services company realigned its operations into three new business units focused on computer equipment and services.

The reorganisation caused some disruption during the first half of the quarter, said Mr James Unruh, chairman and chief executive, but "the worst of the confusion is now behind us" and business picked up in the last month of the quarter, he said.

Unisys reported a net loss of $13.4m, or 25 cents a share, compared with net income from continuing operations of $44.6m, or 8 cents a share in the same period last year.

Excluding the company's defence business, which was sold in May 1995, income from continuing operations in the first quarter of 1995 was $32.1m, or 2 cents a share.

Wall Street analysts had been anticipating a loss of about 15 cents a share.

Revenue for the quarter was $1.42bn, compared with $1.46bn in the year ago quarter.

In addition to the effects of the reorganisation, revenues and profit margins in the first-quarter were affected by lower shipments of Unisys' mainframe systems, Mr Unruh said.

Revenues from computer systems dropped by 19 per cent in the quarter.

Mr Unruh attributed the decline to anticipation of a new range of computers that were introduced after the end of the quarter.

These new ClearPath servers will run both Unisys mainframe software and Unix or Microsoft's Windows NT operating systems on a single computer.

Revenues from information services increased 14 per cent, and the newly formed Global Customer Services unit increased revenues by 9 per cent.

The two services units "continue to deliver solid growth", Mr Unruh said.

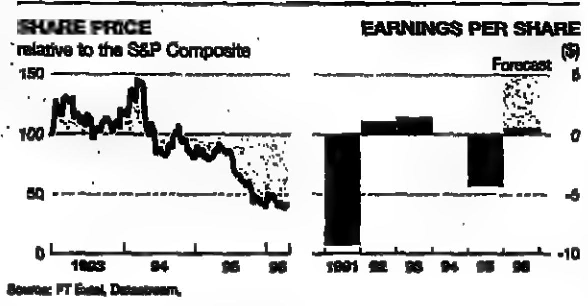
The introduction of the ClearPath servers, which will begin shipping in the current quarter, also improves the outlook for the computer systems business, he added.

PROFILE: **UNISYS**

Market value: $1.13bn Main listing: NEW YORK

P/E (1996 estimate)	12.5
Gross yield	nil
Earnings per share	$(4.37)
Current share price	$6.25

James Unruh
Chief executive



Source: FT Extel, Datastream.

Turnround at Data General

By Louise Kehoe

Data General, the US manufacturer of mid-range servers that has been struggling to achieve sustained profitability, reported increased revenues and improved profits for its second fiscal quarter.

Net income for the period was $6.3m, or 15 cents a share, on revenues of $335.2m. In the same period last year there was a net loss of $11.1m, or 30 cents, on revenues of $283.8m.

Data General "is still in a period of product transition and [we] remain cautious for the short term," said Mr Ronald Skates, president and chief executive. However, second-quarter results "were most encouraging", he said, with revenues up 18 per cent.

Product revenues increased 29 per cent over the same period last year, based on strong growth in sales of data storage products, the company said. Revenues from the company's line of Unix servers were flat, however.

For the first six months of fiscal 1996, net income was $11m, or 27 cents a share, against $13.1m, or 35 cents. The 1995 figures included a one-time, pre-tax gain of $44.5m from the settlement of a software copyright and trade secret lawsuit against Northrop Grumman. Revenues for the first six months of 1996 were $662.8m, up from $566.0m in the 1995 first half.

Acesita poised to take stakes in three steel groups

By Jonathan Wheatley in São Paulo

Acesita, the Brazilian steelmaker, is to pay up to $850m for shareholdings in three other Brazilian steel groups in what the company called "the start of a new restructuring of the Brazilian steel industry".

Acesita plans to buy stakes in CST, Cosipa and Usiminas held by two Brazilian banks, Bozano, Simonsen and Unibanco.

If none of the three companies' shareholders exercise their right to buy the banks' shares, Acesita will acquire 40 per cent of CST, 10 per cent of Cosipa and 8 per cent of Usiminas. Other shareholders have 30 days from yesterday to exercise their right to buy.

The deal comes after three months of negotiations between Acesita and the banks. The company said it signalled a new restructuring of the industry following privatisation between 1991 and 1993.

"Privatisation attracted opportunity investors looking for a short to medium-term return," he said. "Now the tendency is for this to change, for the industry to attract long term investors and to form groups of companies with shared ownership."

Following the deal Acesita, which produces 600,000 tonnes of speciality steels a year, would have significant shareholdings in companies producing a total of 12m tonnes of steel a year.

Ms Isabela Saboya, a steel industry analyst at Rio de Janeiro investment bank Icatú, said the price being paid was fair and that investors should welcome the deal as it brought a significant, stable shareholder to CST, Cosipa and Usiminas. "But for Acesita it doesn't seem to make very much sense," she said.

There was little common ground between Acesita's business and that of the other three, and Acesita's shareholders were likely to see their stakes diminished in a planned capitalisation to pay for the purchase.

Prices of shares in all four companies seemed not to have reacted to the announcement.

Acesita will call a shareholders' meeting at the end of next month to propose funding the deal through a public share issue. The company said it hoped existing shareholders would subscribe to the issue, but that it expected to attract interest from new investors, both in Brazil and overseas.

Acesita planned to raise the entire $850m required to complete the deal by the end of this year.

NEWS DIGEST

MCI records 21% first-quarter rise

MCI, the second-largest US long-distance phone company, increased its earnings by 21 per cent in the first quarter to $296m, with strong growth in the basic phone business partly offset by increased losses in new ventures.

Earnings in long-distance telephony were up 42 per cent at $378m on revenues 14 per cent ahead at $4.1bn. There was strong growth in the business market, while consumer sales were driven by special deals marketed under the Friends and Family and other brand names.

In new ventures and developing markets, revenues jumped from $24m to $476m, due to the acquisition of SHL Systemhouse and Nationwide Cellular. The net loss was $83m compared with $22m, and cash flow was zero.

Group revenues rose 26 per cent to $4.5bn, with traffic up 21 per cent. Earnings per share were ahead 17 per cent at 42 cents. MCI's shares rose $1⅛ to $29⅛ in early trading.

Tony Jackson, New York

Baxter International ahead 9%

Baxter International, the US healthcare company, said yesterday first-quarter profits rose 9 per cent, led by gains on the biotechnology and cardiovascular businesses. Net income was up to $158m from $145m in the same period last year. However, while profits in the biotechnology and medical products areas rose to $138m from $98m, earnings from discontinued operations that include the cost management area and other divested assets fell to $20m from $47m. The company plans to spin off its cost management business to shareholders later this year. Overall, sales rose 12 per cent to $1.3bn.

Earnings per share rose 12 per cent to 58 cents from 51 cents last year. The increase in per share earnings surpassed overall earnings growth because of a stock buy-back programme in which the company purchased $80m worth of its shares in the first quarter. Earnings were in line with analysts expectations, and in early trading the shares rose $⅝ to $44⅛.

Lisa Bransten, New York

Weak prices balk Cyprus Amax

Weaker mineral prices and bad weather in the US were blamed for a heavy fall in first-quarter net profits at Cyprus Amax Minerals, one of the world's largest coal and copper mining groups. The company unveiled earnings of $62m, or 62 cents a share, compared with 1995 first-quarter figures of $97m, or $1 a share.

Mr Hilton Ward, chairman, blamed the slide on lower prices for copper, molybdenum and coal. Operations at some of the group's US coal mines had also been hit by severe winter weather, he said. These factors had been partially offset by lower costs in copper production – down 5 cents a pound to 77 cents for the reporting period – and improved sales of produced copper, at 172m lbs compared with 160m lbs last time.

The profit was struck on sales of $884m compared with $807m for the corresponding period last time. The quarterly dividend is maintained at 20 cents per ordinary and $1 per preferred share.

Mark Mulligan

Videotron targets CFCF

Videotron, eastern Canada's biggest cable-TV group, is offering C$21.50 a share cash for all the shares of CFCF, a competitor in the Montreal area, for a potential total value of about C$366m (US$268m), topping a competing cash-and-stock bid from a rival broadcasting group.

The Pouliot family, which controls CFCF, has agreed to tender to Videotron. The deal would rationalise Montreal cable TV, broadcasting and production, but some analysts said Videotron may meet regulatory problems.

Videotron is believed to be near completing the sale of its British cable TV and telecommunications unit for an estimated C$500m.

Robert Gibbens, Montreal

Sale lifts MacMillan Bloedel

A C$32m (US$23.5m) gain on the sale of 8m shares of KNP BT, the Dutch paper group, bolstered MacMillan Bloedel's first-quarter earnings. Final net profit was C$64m, or 48 cents a share, against C$65m, or 49 cents, on revenue of C$1.7bn against C$1.34bn. At the operating level, profit was lower because of weak building materials and packaging markets, partly offset by firm paper prices. The Japanese construction timber market began to firm in March.

Robert Gibbens

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Compaq bucks trend with surge in sales

By Louise Kehoe in San Francisco

Compaq Computer charged ahead of competitors in the personal computer industry in the first quarter, gaining market share with a 42 per cent jump in sales.

In contrast with several other PC manufacturers, which have reported sluggish sales in the US, Compaq said its sales were strong in all regions, with the North American figure up 56 per cent in the quarter.

Compaq's revenues for the period rose from $3bn in the same period last year to $4.2bn. Net income for the quarter was $234m, or 85 cents a share, versus $216m, or 80 cents a share.

The results were well above Wall Street estimates of about 81 cents a share and Compaq's shares jumped sharply from Tuesday's close of $43⅞ to trade as high as $50¾, retreating to $47½ in mid session.

Compaq's results raised significant doubts about previous industry reports of slowing US PC market growth. It now appears Compaq has been winning sales at the expense of its competitors.

"This is not a market issue," said Mr Daryl White, Compaq chief financial officer.

The US consumer market, which some analysts had suggested was reaching saturation, remained "very strong", he said, showing the fastest rate of growth of any market segment in the first quarter. Since December 1995, Compaq has gained 5 market share points in the North American dealer channel, to achieve a dominant 34 per cent market share, according to Audits and Surveys, a market research firm.

While other PC makers have been struggling to reduce excess stocks of PCs held by dealers and resellers, Compaq said its inventories were at the lowest level for two years. Price cuts and a high proportion of consumer sales, which carry lower margins, reduced Compaq's gross profit margins slightly in the first quarter to 21.1 per cent of revenues.

"We expect gross margins to begin to move up in the second quarter, when consumer sales are generally less robust, and to rebound in the second half when we introduce a broad range of new products," said Mr White.

"We are confident about our ability to gain market share and achieve improved profitability for the balance of the year," said Mr Eckhard Pfeiffer, president and chief executive.

Beginning in June, Compaq will launch new products across all categories of the PC market, he said. These were expected to include high-performance network servers, new styles of consumer PCs designed for home use, and a new line of lower-cost portable PCs.

Eckhard Pfeiffer: confident of ability to boost market share

USAir cuts loss despite setbacks

By Richard Tomkins in New York

Bad winter weather on the US east coast hit first-quarter results at USAir, the troubled US carrier in which British Airways holds a 24.6 per cent stake.

But higher fares and fuller aircraft helped the company cut net losses from $117.5m to $54.6m after preferred stock dividends. Losses per share fell from $1.91 to 86 cents.

USAir said it suffered two adverse factors in the first quarter: delays and cancellations resulting from the poor conditions, and a loss of business owing to government shutdowns caused by the budget impasse in Congress.

Together, the company said, these factors cost an estimated $55m – roughly equivalent to its first-quarter losses.

On the plus side, revenues climbed 6 per cent to $1.9bn as fares rose across the industry, and load factors increased. This helped the company report operating profits of $10.8m compared with losses of $42m last time.

However Mr Stephen Wolf, the new chairman and chief executive, said he was "disappointed" with the net losses in a quarter when the industry was reporting higher earnings.

Mr Wolf has been making presentations to the workforce in which he has stressed the importance of cutting costs.

NEWS DIGEST

Netscape tops Wall Street estimates

Shares in Netscape Communications, the fast-growing US Internet software provider, rose 8 per cent yesterday after it reported higher than expected earnings for the first quarter, beating Wall Street estimates by 50 per cent.

Net income for the quarter was $4.7m, or 6 cents a share, on revenues of $55m. Analysts had been expecting earnings per share of 4 cents. In the same period a year ago, when Netscape was launching its first products, the company recorded a net loss of $3.8m, or 6 cents a share, on revenues of $5.4m.

A more useful comparison, Netscape said, was with the results from the fourth quarter of 1995, when the company reported net income of $2.4m, or 3 cents a share, on revenues of $40.6m. Results for all periods were adjusted for Netscape's acquisition of Collabra Software, last year, as well as for a two-for-one stock split in January. The shares were trading at $66⅝ at lunchtime yesterday, up $5.

Louise Kehoe, San Francisco

Rite Aid withdraws Revco offer

Anti-trust objections by the US Federal Trade Commission yesterday prompted the collapse of a merger between two US drugstore chains, when Rite Aid withdrew its agreed $1.8bn takeover bid for Revco. The merger would have created the biggest drugstore chain in the US, with about 4,500 stores.

Rite Aid said: "It is apparent to us that the Federal Trade Commission has never been interested in reviewing the facts surrounding our intended merger with Revco in an impartial manner. Despite the facts presented that this merger would be pro-consumer, the FTC kept changing the rules of the negotiation."

The deal would have been the latest in a string of mergers prompted in part by a drive among drug retailers to increase their buying power with the big US pharmaceutical companies.

Last week, however, the FTC said it would file a suit to block Rite Aid's bid for Revco, saying the combined company would dominate the pharmacy business in 16 states and could raise prices to consumers. Rite Aid tried to head off the FTC's objections by offering to sell 340 stores, but this week the FTC said it still planned to press ahead with its suit.

Richard Tomkins, New York

Chemicals weakness depresses Du Pont

By Tony Jackson

Du Pont, the US chemicals group, reported an 8 per cent fall in first quarter earnings to $879m, with a cyclical drop in chemicals partly offset by growth in oil, coal and pharmaceuticals.

Earnings per share, boosted by last year's $9bn share buy-back, were up 12 per cent at $1.57.

Total sales of chemicals and speciality products were down 2 per cent at $6.1bn, with volume down 5 per cent and prices up 3 per cent.

Earnings in the chemicals division were down 13 per cent at $143m, in fibres down 11 per cent at $179m, and in polymers down 15 per cent at $198m.

Mr Jack Krol, chief executive, said he believed the weakness in chemicals in the past three quarters had been a blip in a continuing upward trend. "I hope we've bottomed out in the US, and also in Europe", he said. East Asia was returning to rapid growth, and Latin America had enjoyed a very strong first quarter.

Conoco, Du Pont's oil subsidiary, increased its earnings 21 per cent to $214m on sales up 9 per cent at $4.7bn. Upstream earnings rose 18 per cent to $191m, while downstream earnings, helped by higher refining margins, rose 53 per cent to $23m.

Mr Krol, who took over as chief executive at the start of this year, said Du Pont aimed at future revenue growth of between 6 per cent and 8 per cent a year, while earnings, helped by higher productivity, should rise 10 per cent.

Over the next five years, he expected annual growth in chemicals of 20 per cent in the Asia-Pacific region and 15 per cent in South America. "In Europe, which is a mature economy, we should continue at around 10 per cent," he said.

In the US, which still accounts for more than half of Du Pont's chemicals sales, growth was running at only 2 per cent to 3 per cent. "We've already got high market share, so that's not an avenue," Mr Krol said.

"We have two levers [for growth] – getting more products out of our R&D, and exporting more."

Lucent deficit at low end of forecasts

By Tony Jackson in New York

Lucent Technologies, the telephone equipment company spun off from AT&T this month in Wall Street's biggest public offering, incurred a net loss in its debut first quarter of $103m, or $0.16 per share. This was at the low end of the $100m-$140m loss forecast by the company.

Lucent said the deficit was partly seasonal. Last year it made 86 per cent of its profit in the final quarter, with a loss of $22m in the first quarter. About half the $81m extra loss this time came from the costs of launching the new company.

Group revenues rose 10 per cent to $4.6bn, with a strong performance in network sales and microelectronics offset by flat sales of business systems and a sharp drop in consumer products. There was a group operating loss before interest charges of $100m, compared with a $23m profit in the comparable period.

Sales of network systems to other telephone companies rose 17 per cent to $2.4bn, with domestic sales up 12 per cent and international sales ahead 34 per cent.

Lucent said there had been a marked change in attitude among US local phone companies, the so-called "Baby Bells", after the demerger.

A central reason for the demerger was reluctance by the Baby Bells to be supplied with equipment by AT&T, which is a direct competitor under the newly liberalised US phone regime. Lucent said: "Our customers here, without exception, have responded favourably [to the demerger]. They are now inviting our sales teams to work with them on some key initiatives."

Sales of phone systems to business customers rose only 2 per cent to $1.1bn. US revenues were up slightly, while international sales grew 7 per cent, led by Europe, east Asia and Africa.

Sales of microelectronics, consisting of integrated circuits and other components, were up 26 per cent at $520m. This was driven by growth in application-specific chips, or ASICs. International sales rose 49 per cent, led by the Asia-Pacific region.

Sales of consumer products, such as answering machines, were down 17 per cent at $295m. During the quarter the company closed 338 retail outlets, and now sells wholly through retail chains such as Walmart. It is concentrating on mobile phones.

Lockheed Martin ahead 10% despite decline in sales

By Christopher Parkes in Los Angeles

Earnings at Lockheed Martin, which claims to be the biggest defence and aeronautics group in the US, rose 10 per cent to $372m before extraordinary items in the first quarter, despite a dip in sales.

Net income for 1995 of $137m included a pre-tax charge of $165m associated with the previous acquisition of Martin Marietta, one of the earlier moves in the continuing consolidation of the US defence industry.

Lockheed, maker of the F-16 fighter, also booked $7bn in new orders in the first quarter, boosting its manufacturing backlog to $42.6bn, according to statements issued yesterday.

The company, which is in the process of completing the acquisition of Loral's defence electronics and systems integration operations, said the decline of 9.5 per cent in revenues, to $5bn, in the quarter was largely a result of the timing of aircraft deliveries and commercial space launches.

The group, which closed its $9bn tender offer for the Loral interests on Tuesday, said annualised sales would rise to $30bn on completion, and the acquisition would increase its order book to $47bn.

The deal gave Lockheed "an excellent strategic balance . . . with leadership positions" in all the main sectors in which it was represented, claimed Mr Norman Augustine, president and chief executive. It would generate a further $1.5bn or $2bn of cash flow annually which would be used primarily to reduce debt, the company said.

A task force had been set up to examine and carry out disposal of non-core operations, businesses where Lockheed was not among industry leaders, and real estate. The proceeds would again be used mainly to accelerate debt retirement.

Executives warned there would be early cuts in the expanded payroll of more than 190,000, although employment would rise in the longer term.

To prevent disruption of ongoing businesses until the Loral divisions had been assimilated, they would remain a separate Lockheed unit, named Tactical Systems and complementing existing divisions in aeronautics, electronics, energy and environment, information and technology and space and strategic missiles.

Lockheed said it had also paid $344m in January for a 20 per cent "passive" stake in Loral Space & Communications, which was spun off by Loral shortly before the tender offer was opened.

The recent restructuring of the US defence industry has sparked controversy as competition has sharpened.

Responding to threats that McDonnell Douglas might boycott certain products from the Lockheed-Loral alliance, Mr Augustine said "blacklists" were against the interests of the industry as a whole.

Debt costs and sales slide hit San Miguel

By Edward Luce in Manila

Soaring debt costs and falling beer sales led to a 35 per cent fall in net profits for San Miguel, the Philippines' largest beer and consumer goods company, to 725m pesos ($27.7m) in the first quarter of 1996.

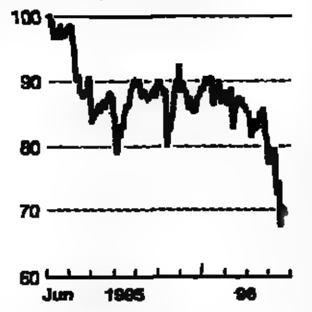
The company, which has seen its share value fall 20 per cent this year on expectations of poor results, said interest charges – mainly from loans to fund a 40bn pesos overseas expansion drive – rose 173 per cent in the first quarter to 607m pesos. Interest payments are expected to more than double this year to 2.9bn pesos.

"Whichever way you look at it, these results are very bad," said Mr Alex Pomento, chief researcher at ING Barings in Manila. "Arguably, the company has over-extended itself overseas on investments which will not show any real return for about three years."

San Miguel, whose B shares, which are open to foreign buyers, closed marginally down yesterday at 80 pesos, is also thought to have over-invested

San Miguel

B share price realtive to the Manila Composite



Source: Datastream

in the domestic market, where it has an 85 per cent share of total beer sales. The company, which was projecting a healthy growth in local beer consumption, saw beer sales decline by 4 per cent between January and March. Overall group revenues rose 7 per cent to 18.9bn pesos.

At the annual meeting last week, Mr Andres Soriano III, chairman of San Miguel, urged the government to establish a level playing field in the local beer market in the wake of a heated corporate battle between San Miguel and Asia Brewery, its main rival.

Asia Brewery, owned by Mr Lucio Tan, a Chinese-Filipino businessman, is alleged to have underpriced its brands by switching its costs to "ghost" subsidiaries so that it could pay lower ad valorem taxes.

Mr Soriano also said the group was unable to raise capital through fresh rights issues owing to a long-running legal dispute between San Miguel and Mr Eduardo Conjuangco, former chairman, who is claiming about 50 per cent of San Miguel's shares. This had raised the cost of capital for San Miguel, which had been forced to tap the more expensive debt markets to raise capital, Mr Soriano said.

Analysts say the company's 1996 earnings growth is likely to be flat or negative. The long-term outlook, however, is more promising because of the potential of its recently-acquired bottling and brewing concern in China, Vietnam, India and Indonesia.

Reuter

Andres Soriano III: called for level playing field in beer market

Sony to close home audio factory in Japan

By Michiyo Nakamoto in Tokyo

The pressures facing Japan's consumer electronics companies were highlighted yesterday by Sony's decision to close one of two domestic factories where it manufactures home audio equipment, in an attempt to raise profits at its audio business in Japan.

Sony is closing a factory in Gunma prefecture, in north-central Japan, where it makes home audio equipment such as mini-component stereo sets and CD players. The 470 employees are being asked to move to a facility in nearby Ibaraki prefecture, where the company will consolidate its home audio equipment output.

Such a move is a rare in Japan, where blue-chip companies such as Sony have tried to meet the pressures of a high yen and sluggish domestic market by shifting production overseas while minimising impact on domestic production. Electronics companies, for example, have introduced higher value added products to their domestic facilities while shifting lower-end products outside Japan.

However, manufacturers of audio equipment have been particularly hard hit by severe price declines and a sagging domestic market. In an attempt to deal with the situation, Japanese makers have shifted production rapidly overseas to lower-cost bases, mainly in south-east Asia.

As a result, production of audio equipment in Japan has nearly halved – from Y1,650bn in 1991 to Y858bn ($8.06bn) last year – according to the Electronics Industry Association in Japan. Meanwhile, imports of audio equipment have surged during the past year.

"The market has been pretty horrible," said Mr Joseph Osha, industry analyst at Merrill Lynch in Tokyo. In addition to general price declines, brought on partly by an improvement in the quality of cheap machines, audio makers have faced high inventory levels since last September.

While Sony has enjoyed strong demand for its portable MiniDiscs, it indicated that the home audio market in Japan was mainly a replacement market and not strong enough to support continued output from two facilities. Furthermore, the Gunma factory generates two-thirds of its sales from exports. The two facilities which make home audio equipment in Japan together saw profits decline from a peak of Y100bn in 1991 to Y38bn last year.

Sony has no plans yet for the factory that is to be closed but says it will be able to save Y700m in fixed costs by the closure. The company has been reviewing its global manufacturing strategy and aims to reduce its export ratio from 67 per cent last year to 50 per cent in the current financial year.

Merged Japanese bank boosts estimates

By Gerard Baker in Tokyo

Bank of Tokyo-Mitsubishi, the world's largest bank, said yesterday it had increased profit estimates for the two separate pre-merger companies for the year to the end of March.

The bank was formed on April 1 by a merger between Mitsubishi Bank and Bank of Tokyo, whose last full business results as independent companies will be published in full next month.

Bank of Tokyo's recurring profit – before tax and extraordinary items – for the year is now estimated at Y96bn ($901m), against a forecast of Y30bn made last November. Mitsubishi recorded a recurring profit of about Y130bn, compared with a Y70bn forecast last autumn. The improvement stemmed from lower interest rates and a more favourable bond trading environment.

Bank of Tokyo said it would write off bad loans worth about Y200bn, while Mitsubishi's write-offs would be about Y340bn.

Losses on loans to failed housing loan companies would be written off to a total of Y100bn and Y50bn, respectively. The banks were not, however, exercising their option to make the write-offs tax-deductible.

The government has offered to allow tax-free write-offs of loans to housing lenders if banks agree to relinquish all outstanding claims on the companies. But uncertainty surrounding the outcome of the companies' liquidation has led most banks to choose to pay tax on the charges.

NEWS DIGEST

Ranbaxy disappoints despite 22% rise

Strong export growth pushed net profits at Ranbaxy Laboratories, India's second biggest pharmaceutical company, up 22 per cent for the year ending March 31 to Rs1.35bn ($39.5m) on a 23 per cent rise in sales to Rs8.7bn. The growth for the year undershot market expectations of a rise exceeding 30 per cent. However, the company said it expected last year's heavy investments and acquisitions substantially to raise export growth.

The company said exports rose from Rs3bn to Rs4bn during the year, consolidating Ranbaxy's position as India's leading pharmaceuticals exporter. Exports were 45 per cent of total turnover, up from 42 per cent a year earlier, with sales growing in its Chinese, UK, Italian, Russian and US markets.

Ranbaxy produces a range of antibiotics, anti-malaria, anti-ulcer and anti-bacterial drugs, with its top three drugs, Roscillin, Cifran and Sporidex among India's top 10 selling pharmaceutical brands. The company, second only to the UK's Glaxo-Wellcome in the Indian market, last year entered two joint ventures with Eli Lilly, the US pharmaceuticals group – with a total joint investment of $45m – to market Ranbaxy products in the US and to research and develop new generic drugs in India. The company said the marketing venture should begin operations by the end of this year, while construction work has begun at Mohali, in Punjab state, on the Lilly-Ranbaxy research centre.

Mark Nicholson, New Delhi

Cement sales lift Birla Jute

Birla Jute & Industries, one of India's larger cement and jute groups, lifted earnings 52 per cent to Rs440m ($12.9m) in the year ended March 31. The increase was attributed to strong growth in cement sales. Pre-tax profits were up 119 per cent to Rs680m but provisions for tax rose from Rs25m for 1994-95 to Rs245m. The company recorded a 20 per cent growth in total income to Rs11bn. Even though the earnings per share rose sharply to Rs14.32 from Rs9.42, the board decided to maintain the dividend at 35 per cent which would claim Rs107m. Export income was up 10 per cent to Rs1.04bn.

Mr A.L. Kapur, chief executive officer, said cement sales of Rs7.53bn accounted for 73 per cent of the turnover. The company's jute business, however, faced difficulties because of the "exorbitant raw material prices and a sharp increase in the wage bill as a result of a strike settlement."

Birla Jute is awaiting environmental clearance for the construction of two 1.2m tonne capacity cement plants at Satna in Madhya Pradesh and Chittor in Rajasthan at a cost of Rs7bn. The two new plants will raise the company's cement capacity to 5.9m tonnes.

Kunal Bose, Calcutta

Chinese securities houses merge

China's largest securities trading house has been formed from the merger of Shanghai Shenyin Securities and Shanghai International Securities. The institution will be known as Shanghai Shenyin International Securities Co and will be expected to compete with international brokerages which are establishing a firmer foothold in China.

The merger follows the virtual collapse of Shanghai International Securities, which foundered after disastrous losses in a bond futures trading scandal in February 1995. Shenyin International said: "The original companies are dissolved and all their debts and assets are borne by the new company." No details were provided of how Shanghai International's losses from bond futures trading were amortised.

Tony Walker, Beijing

Philex plans goldmining spin-off

Philex Mining, the Philippines' largest domestic mining company, is to spin off its gold operations into a separate company and list them abroad in an initial public offering later this year. Mr Jerry Brimo, chairman of Philex, said yesterday that the operation would be the first time a Philippine mining company had been exclusively listed abroad.

The listing, which would net the company a minimum of US$300m assuming gold prices of US$1,500 per oz, would probably be held in Toronto or Vancouver, Mr Brimo said, although final details had not been worked out.

The spun-off subsidiary, which is expected to be approved at the stockholders' meeting in mid-May, would include the company's Bulawan gold mine in Negros Occidental (central Philippines), its Sibutad gold venture in Zamboanga, southern Philippines, and proceeds from various gold claims in Luzon and the south. The company would have an output of about 20,000 oz of gold per annum.

Edward Luce, Manila

Philippines tyremaker to sell up

Tyre maker Sime Darby Pilipinas, which has long been beset by labour problems, said yesterday it would sell its assets to rival company Goodyear Philippines. No financial details were revealed.

The Sime Darby Pilipinas president, Mr Sean Kelly, said the company would terminate its manufacturing operations and venture into other business, "most probably in real estate, construction and housing development". It decided to halt tyre manufacturing after management and workers failed to conclude a collective bargaining agreement.

Reuter, Manila

BankWest upbeat on hitting target

By Nikki Tait in Sydney

BankWest, the Perth-based regional bank which is controlled by Bank of Scotland, yesterday announced net profits of A$51.2m (US$40.5m) in the five months to the end of February.

Profit after tax but before abnormal and extraordinary items was A$35.1m (US$27.7m), and the bank added that it was confident of meeting its recent prospectus forecast of A$100.2m in the year to February 1997.

"BankWest is in a strong position and I have no reason to believe the profits forecasts for the current financial year will not be achieved," said Mr Ian Mackenzie, the group's chairman.

The bank is in the process of changing its year-end to February, to tally with Bank of Scotland's financial year, and did not issue comparable five-month figures for 1994-95.

However, the A$35.1m profit was slightly better than the A$32.2m forecast for this period when BankWest floated 49 per cent of its shares on the stock market in January.

An abnormal surplus of A$2.2m resulted from interest earned by the bank on funds received during the public offer for sale of its shares, while an extraordinary gain of A$13.9m came from the sale of the bank's land development activities.

During the five-month period, the bank's net interest income stood at A$129.3m, compared with a A$124m forecast, while other operating income totalled A$47.8m, also slightly better than predicted. Operating expenses, however, also exceeded expectations, at A$110m, although the cost-to-income ratio dipped, from 62.4 per cent in the previous year to 62.1 per cent.

The charge for doubtful debts, at A$11m, was in line with the prospectus prediction.

The bank said growth had been stronger than anticipated in BankWest's three main areas of activity – housing, personal lending and business loans. An 11 per cent surge in retail deposits, to A$5.37m, was in part because of farmers banking the proceeds of a buoyant grain season.

Mr Warwick Kent, BankWest's managing director, acknowledged that the bank needed to keep a lid on costs as competitors tried to encroach on the Western Australia market.

Indonesian private banks advance

By Manuela Saragosa in Jakarta

Bank Niaga and Bank Tiara, two private Indonesian banks, reported net profit in 1995 increased by 53 per cent and 75 per cent, respectively, on the year before, reflecting growth in loan portfolios of about 30 per cent in each case.

However, analysts predicted earnings growth at this level would not be repeated this year, after the central bank's moves in January by the central bank, Bank Indonesisa, to set limits on banks' credit growth. The action is part of a strategy by Bank Indonesia to control the liquidity and quality of the banking industry after a series of bad debt scandals in recent years.

Bank Niaga, one of Indonesia's leading private banks, said net profit in 1995 rose from Rp41.67bn a year to Rp63.96bn ($27.5m). Bank Tiara, a medium-sized private retail bank, said net profit increased from Rp31.33bn to Rp58.61bn.

Analysts noted that Bank Tiara's overall credit growth has been capped at about 25 per cent for 1996 while Bank Niaga's has been set at about 20 per cent.

From the beginning of this year, banks are required to submit loan growth proposals for approval by the central bank.

Bank Indonesia has relied on moral persuasion to convince banks to comply with its regulations but is now set to enforce targets set for loan growth using various tools.

Analysts say these will include withholding licences to open branches; most large private retail banks in Indonesia depend heavily on new branch openings to raise third party funds to finance their loan expansions. For example, Bank Danamon and Bank Central Asia, two of Indonesia's largest private sector banks, open between 30 and 40 branches annually.

Analysts expect earnings growth at private banks to be supported by healthy interest margins as deposit rates fall in the second half of this year and lending rates stay stable.

All of these Securities have been sold. This announcement appears as a matter of record only.

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MEDIOBANCA-BANCA DI CREDITO FINANZIARIO S.P.A.

April 1996

BankWest contributes £20m for three months

Bank of Scotland rises 21%

By George Graham, Banking Correspondent

Bank of Scotland, the Edinburgh-based clearing bank, aims to build on its expanding presence in Australia and New Zealand to "open a gateway" to the Asia Pacific region.

Sir Bruce Pattullo, governor and group chief executive, said the £236m acquisition of a 51 per cent stake in Bank of Western Australia, coupled with existing operations in Australia and Countrywide Bank in New Zealand, left the group with 19 per cent of its assets in the region.

BankWest, though included only for three months, contributed £19.7m to Bank of Scotland's pre-tax profits of £545m in the year to February 29, a rise of 21 per cent.

"The fact that the focus ended up in Australia and New Zealand is a mixture of opportunism and strategy," Sir Bruce said, acknowledging that Bank of Scotland had in the 1980s considered acquisitions in the US.

It also tried to negotiate a merger of Countrywide and Trust Bank of New Zealand, but lost out to Westpac of Australia, which won the auction this month with an offer worth NZ$1.27bn.

"We don't get into hostile situations and we'll never put top dollar on the table," he said.

The expanded international operations have prompted Sir Bruce, who has since 1991 combined the roles of governor and group chief executive, to hand over the second role to Mr Peter Burt, chief general manager of the parent clearing bank.

"We need a little bit more flexibility on who does what," Sir Bruce said.

Profits were boosted by £60.6m of non-recurring gains, including profits on the sale of stakes in Halifax Credit Card and Dunedin Fund Managers, but the group called the rise in operating and pre-tax profits "excellent".

Earnings per share rose 16 per cent to 25.8p, and the board proposed an 18 per cent increase in the dividend to 6.85p.

Anxiety over a sharp rise in its cost/income ratio knocked the bank's shares yesterday. They fell 8p to 251p.

Administrative expenses rose 19 per cent to £713.1m, as the bank invested heavily in computer systems, branch refurbishment and an expansion of NWS Bank, its finance house subsidiary.

Clare Arron

Sir Bruce Pattullo: seeking a gateway to Asia Pacific region through Australia and New Zealand

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Bank of Scotland	Yr to Feb 29	-	(-)	545♥	(449.7♥)	25.8	(22.3)	4.4	June 21	3.69	6.85	5.82
Bentalls	Yr to Jan 27	86	(84.4)	1.2♠	(2.5♥)	1.74	(0.73)	1.62	June 10	1.55	2.22	2.16p
Dencora	Yr to Dec 31	33.8	(26)	3.11	(2.12)	10.1	(6.1)	4.1	July 1	3.7	4.1	3.7
Essex Furniture §	18 mths to Dec 31	44.3	(17.7)	1.19	(1.41)	6.46	(8.05)	2.1	June 24	2.5	6.4	4.3
Helical Bar	Yr to Jan 31	65.9	(50.5)	9.2	(8.19)	29.8	(29.8)	4.4	-	3.75	7.3	6.5
JJB Sports	Yr to Jan 31	89.6	(61.3)	12.9	(7.59)	27.74†	(18.75)	5	July 3	2	8.75	3.22
Preston North End ◊	6 mths to Dec 31	1.29	(0.92)	0.42	(0.217L)	-	(-)	-	-	-	-	-
RIA	Yr to Dec 31	100.2	(88.7)	1.59	(1.41)	8.1	(7.8)	4	Oct 4	4	4	4
S&U	Yr to Jan 31	84.7	(61.8)	7.02	(6.05)	37.8	(33.03)	12.5	July 1	8.5	18	12.5
Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Investors Capital	6 mths to Mar 31	160.8	(152.8#)	6.91	(7.21)	2.8	(2.9)	1.35◊	June 10	1.225	-	6.3
Shires Smaller	3 mths to Mar 31	170.6	(154.9##)	0.194	(0.191)	1	(0.99)	1.325	June 28	1.25	-	5.7

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. §USM stock. ◊Aim stock. #At September 30. ◊Second interim; makes 2.7p to date. ##At December 31.

Boral sells UK plant for £24m

By Andrew Taylor in London and Nikki Tait in Sydney

ARC, Hanson's building materials subsidiary, has become Britain's biggest manufacturer of concrete blocks with the £24m ($36m) purchase of Boral Edenhall from Boral, the Australian building materials and energy group. The business, based in Penrith in Cumbria, operates seven concrete block plants, four concrete brick plants and a sand and gravel quarry.

The purchase makes ARC market leader with about 17 per cent of the total block market and 24 per cent of dense concrete block sales.

The market for concrete blocks has been difficult over the past 12 months but is expected to pick up following a revival in new house sales in the first four months of this year and an increase in commercial development.

Boral said that its UK subsidiary unit, was a standalone operation and separate from its core European activities of clay bricks and tiles. Earlier this year it announced the sale of other quarry, sand and gravel interests in Germany, although the deal is still waiting approval from the German anti-trust authorities. And it intends selling Calcit, its remaining quarry in Germany.

Wienerberger fades from Redland bricks sale

By Andrew Taylor in London and Eric Frey in Vienna

Wienerberger, the Austrian building materials group, yesterday appeared to have ruled itself out as a purchaser of Redland's UK brick interests after announcing a large Belgian acquisition.

The merger of Koramic's Belgian-based brick interests with Wienerberger will create one of the world's largest brick manufacturing businesses.

Wienerberger said last night it was still bidding for Redland's UK brick interests, but thought it was unlikely to succeed.

Redland had previously sold its 35 per cent stake in Terca, its Belgium-based brick interests, to Koramic, its joint venture partner, for £71m.

Koramic has now sold its brick interests, which include plants in Belgium, the Netherlands, France and Germany, for a 20 per cent interest in the Austrian group, which has a market capitalisation of about Sch£14.9bn. The stake is raised to 25.1 per cent through a separate deal with Creditanstalt-Bankverein, Wienerberger's largest shareholder.

DIGEST

Amersham raises stake in Nihon

Amersham International, the health sciences group, is to increase its stake in Nihon Medi-Physics, its radiopharmaceutical joint venture with Sumitomo Chemical, Japan's largest chemical producer. Amersham, which bought 20 per cent of NMP in December 1994 for Y8.52bn is raising its holding to 50 per cent in exchange for Y8.28bn cash and the transfer of its Japanese healthcare business to NMP.

Following the transaction, Amersham will have about 30 per cent of the world nuclear medicine market, nearly double that of its nearest competitor and will command more than 60 per cent of the Japanese market.

When Amersham bought its initial NMP stake it was granted the option to buy a further 30 per cent within two to five years, but it was not eligible to raise its holding until December of this year. However, Mr Bill Castell, chief executive, said the group would complete the deal in October. "We are moving to 50 per cent a couple months earlier than was in the option because we came to financial agreements on the valuation of the two businesses," he said. *Motoko Rich*

BET and Rentokil trade insults

BET and Rentokil yesterday traded insults in a last-ditch attempt to sway shareholders before the £2.1bn ($3.17bn) takeover battle closes on Friday.

BET, the target company, claimed that Rentokil, the rival business services group, could have a "dreadful" balance sheet if the bid were to go through, with a negative net worth of £229m and net debts of over £776m.

Rentokil hit back saying that BET had provided no details about its plans for the cleaning, catering and personnel businesses which accounted for one-third of the group's turnover and half its staff. *Geoff Dyer*

Framlington's emerging push

Framlington, the UK fund management company owned by CCF of France, is continuing its push into emerging markets with a new mandate from the European Bank for Reconstruction and Development. The EBRD, the international financial institution designed to promote the private sector in eastern Europe, has chosen it to manage a £33m ($50m) fund to invest in Slovakian privatisations.

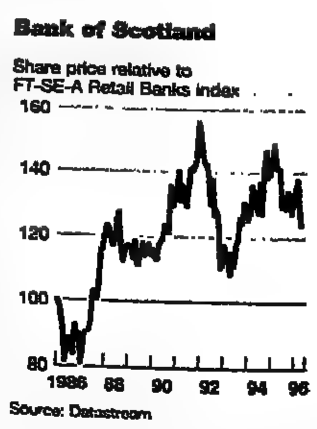
C&W man for Littlewoods

Mr James Ross, the former chief executive of Cable and Wireless, has been nominated as chairman of Littlewoods, the family-owned retailer, mail order and football pools group.

Mr Ross, 57, and Lord Young, C&W's chairman, left the telecommunications company last November after a personality clash and power struggle between the two derailed the company. *Roderick Oram*,

LEX COMMENT

Bank of Scotland



The market's punishment of Bank of Scotland for an uncharacteristic departure from its cheese-paring ways looks like a mistake. Its share price fell yesterday, when the group reported a rise in its cost to income ratio of just over two percentage points to 52 per cent last year. True, other banks are cutting costs and returning money to shareholders through share buy-backs or rapidly increasing dividends. But Bank of Scotland's cost ratio is still considerably lower than most, and its pre-tax return on equity of more than 36 per cent should give investors some confidence that management is using capital wisely. And though the rise in costs is partly due to investment in computers and branch refurbishment, which will provide little obvious boost to income, the bank has at least a clear idea of how to grow its business. It is also investing in the expansion of its highly successfully finance house, NWS Bank.

Without share buy-backs, investors will want to see those investments translate into higher profits. Given the pace of recent asset expansion, the bank's underlying profits increase of 5 per cent is disappointing. Still, worries that the bank is not generating enough capital to support the risks it is assuming look overdone. At 6.1 per cent, its tier one capital ratio is lower than most of its peers. But the type of risk matters more than the crude statistic, and the quality of the bank's lending appears solid enough. Provided it has sufficient capital to accomodate further asset growth as the economy picks up, Bank of Scotland shares, trading at the average earnings multiple for the sector, still look like an attractive alternative to the cost-cutters.

DTI BLOCKS POWER BIDS

Ian Lang, trade and industry secretary, says electricity takeovers would be "detrimental to competition"

Recs 'left exposed to overseas raids'

By Patrick Harverson and David Wighton

The rejection of National Power's bid for Southern Electric and of PowerGen's bid for Midlands Electricity will not slam the brakes on the consolidation of the UK electricity industry.

That was the message from City analysts yesterday, who argued that Mr Ian Lang's decision to block attempts to vertically integrate a large chunk of the industry might even have the opposite effect and accelerate the process.

They believed the blocking of the two bids by the trade and industry secretary could encourage continental European and US utility groups to step in and buy the six independent regional electricity companies (recs). They also said that it exposes the generators to takeovers by foreign buyers.

"This leaves the entire sector far more vulnerable to overseas bids," said one analyst. "Lang says he is not in principle against vertical integration, just these vertical integrations. Any vertical integration that's not an English vertical integration seems to be acceptable."

The chief executive of one of the remaining independent recs agreed. "I don't think this changes the position of the independent recs in terms of takeovers one iota," he said. "The only difference now is there are two more in the pool."

Aside from the six independent English recs – Southern, Midlands, Northern, East Midlands, Yorkshire and London – the three integrated power companies outside England (Northern Ireland Electricity, Scottish Power and Scottish Hydro) are also vulnerable to takeovers. However, the regulator's price review of Northern Ireland Electricity, due this summer, could put off potential buyers – and Scottish Power may prove too big for all but the largest predators to swallow.

In spite of Mr Lang's move the City still believes that the bigger overseas utility companies will soon be falling over themselves to buy an English generator or a rec. In the US, more than half-a-dozen utilities are viewed as likely candidates to establish a presence in the UK electricity market. They include Southern Company, Houston Industries, Mission Energy, Duke Power, Florida Power & Light, General Public Utilities and Pacific Gas & Electric.

The US groups operate under extremely tight regulatory regimes at home, and are under shareholder pressure to invest abroad. With access to cash and cheap financing they have the means to do it, and in the UK they see an industry in the throes of consolidation that is relatively lightly regulated, and a country where acquisitions can be made in a low-risk environment. In this context, the investment rationale of a US group buying a rec or even a generator look compelling.

In continental Europe, the case for buying into the UK is less persuasive, but several large players are believed to be keen to enter the fray.

The first move from an overseas buyer could come from Southern Company, the Atlanta-based utility which last week revealed that it wanted to open merger talks with National Power. At the time the group made it clear that it did not want National Power to acquire Southern Electric, and the initial reaction from the stock market yesterday was that Mr Lang's decision would clear the way for the US utility to make an offer for the generator.

However, Southern may want to keep its options open. Because it already owns a regional supplier in Sweb, the group knows that a bid for National Power might be referred to the Monopolies and Mergers Commission on the grounds that any acquisition of a UK generator would represent the type of vertical integration rejected by Mr Lang.

Instead, Southern might decide to develop generating capacity in the UK by other means, either through a deal to lease or buy some of the plants owned by existing generators, a tie-up with the integrated Scottish groups or the building of its own generating plant.

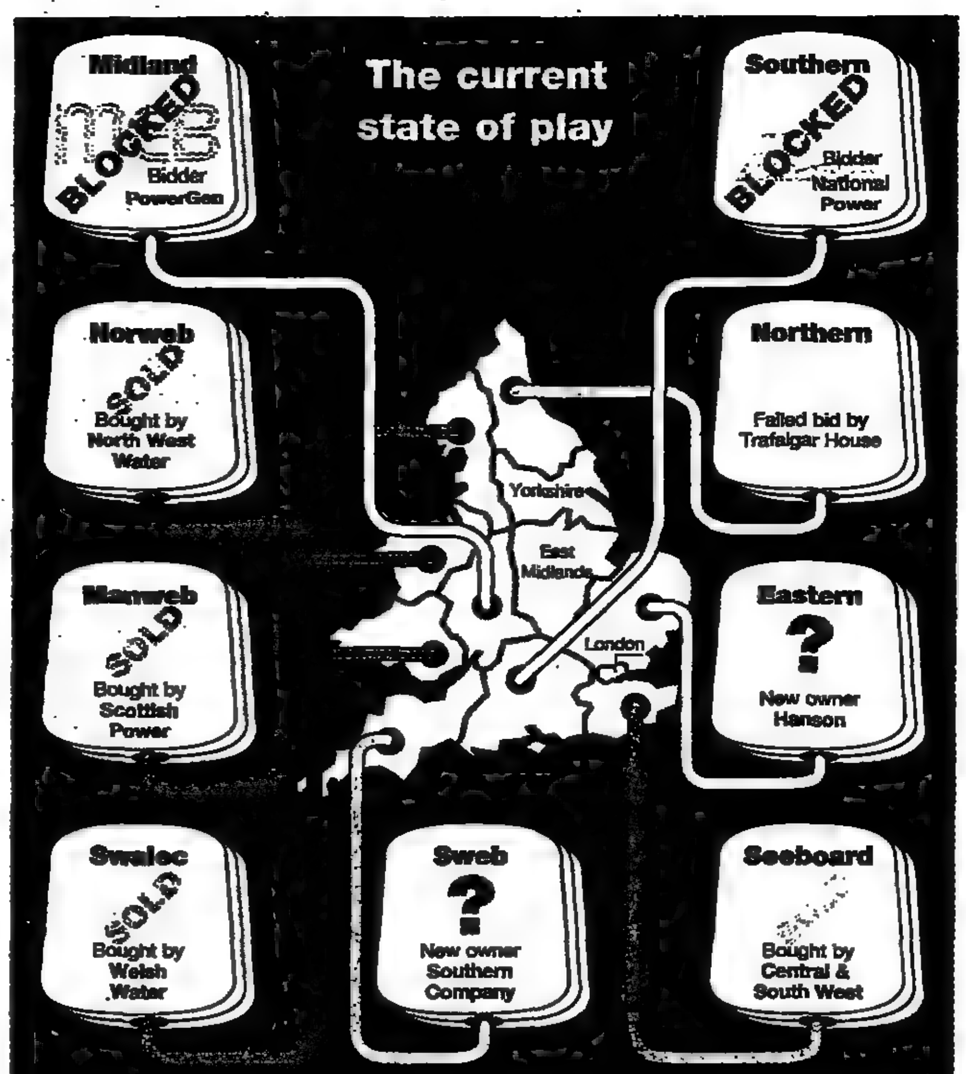
For National Power, the only certainty now is that it cannot buy a rec. Even if it is left alone by Southern of the US the generator will remain exposed to another foreign bid. Barring a foreign takeover, National Power plans to pursue its three-pronged strategy of developing a supply business through other routes such as joint ventures or contractual arrangements with recs, returning value to shareholders through a special dividend or a buyback, and expanding its international operations.

PowerGen was putting on a brave face in public yesterday. But there is no doubt that the blocking of its bid for Midlands Electricity is a serious blow. That was clearly reflected in the share price which fell 36p to 570p yesterday in spite of the belief that PowerGen will use some of its spare cash on a share buy-back. Most analysts believed it unlikely that PowerGen itself would receive a bid. If foreign takeovers fail to materialise, the outlook for the generators is not encouraging.

PowerGen and National Power are facing a significant downturn in profits in the next couple of years. Mr John Reynolds, electricity analyst at James Capel, forecasts they could suffer a drop of between 20 per cent and 30 per cent as a result of the changes in the electricity market in 1998.

One of the most intriguing aspects of Mr Lang's decision is the implications that it has for Hanson's Eastern subsidiary. Last week, Eastern agreed to lease three power stations from National Power for payments estimated at £1.7bn over 10 years. This follows a similar deal involving two of PowerGen's stations. The disposals were made at the behest of Professor Stephen Littlechild, the industry regulator, who was concerned to reduce the dominance of National Power and PowerGen in setting the wholesale electricity price.

Prof Littlechild yesterday appeared to give his blessing to the deal – but City analysts said that this appeared inconsistent with the blocking of the bids. On their figures, Eastern will become a vertically integrated group with a share of generation not far off that of PowerGen. Mr Nick Pink, an analyst at SBC Warburg, estimates that Eastern will have about 11 per cent of the market after the deal, while PowerGen's share of 19 per cent will decline to 15 per cent by 2000.



	Value	Closing price (pence)	Change	Pre-tax profit (£m)	Connected customers (m)	Customers per sq. km
Southern Electric	3.500	373	[illegible]	375.3	1.780	77
London Electricity	1.374	807	[illegible]	172.4	1.948	2,929
Yorkshire Electricity	1.310	826	[illegible]	217.0	2.035	190
Scottish Hydro-Electric	1.364	355	[illegible]	168.7	0.628	11
East Midlands Electricity	1.226	618	[illegible]	214.0	2.246	140
Northern Electricity	0.677	670	[illegible]	140.7	1.450	100
N. Ireland Electricity	0.632	451	[illegible]	88.8	0.644	46
National Power	6.441	564	[illegible]	705.0		
PowerGen	4.150	570	[illegible]	545.0		
Scottish Power	3.436	301.5	[illegible]	610.6		

Decision will fuel call for MMC reform

By Stefan Wagstyl, Industrial Editor

It is not unprecedented for the government to reject the advice of the Monopolies and Mergers Commission, its competition policy arbiter. But it is rare for it to do so in such an important case.

The decision made by Mr Ian Lang, the trade and industry secretary, will fuel demands for the reform of competition policy, including the MMC's role. As one former competition policy official said last night: "This is a bad blow to the MMC. It shows how urgently we need to reform the structure of our competition policy."

The MMC declined to comment. But it is expected to take the view that far from demonstrating shortcomings in competition policy, the decision proves that it works. "The issues were fully debated and discussed," said an official familiar with the MMC's role. "That is what is supposed to happen."

Nevertheless, Mr Lang's announcement comes at an awkward time, because the government is in the middle of a consultation programme on competition policy, having set out its agenda for possible reforms in a green paper last month.

These proposals, which concentrate on cartels and have little to say on mergers or anti-competitive practices, have been attacked as too modest by critics, including the Consumers Association – the independent watchdog – many competition lawyers, and the Labour party.

In particular these critics believe the government is wrong to leave intact the current three-way division of responsibility for competition policy between the Office of Fair Trading, which investigates possible abuses, the MMC, which does in-depth investigations, and the government, which has the final say.

Yesterday's decision raises three principal concerns.

First, it is seen as ironic that in blocking the bids, the government has put a higher priority on competition issues than its competition watchdog. The law charges the MMC with judging issues in accordance with "the public interest" – a very broad definition. In the mid-1980s, this was narrowly defined in the so-called "Tebbit doctrine" – by the then Mr Norman Tebbit, the trade and industry secretary. He said the MMC should focus on competition issues.

But the Tebbit doctrine has been undermined by the Conservative government's wish to promote national champions – a consideration covered by the MMC in yesterday's report. Critics of the current regime say it should be for the government to consider such wider issues, not the MMC. "Perhaps we need a restatement of the Tebbit doctrine," said a competition lawyer.

Secondly, the government's critics – including the Labour party – accused ministers of inconsistency in assessing utilities mergers. They pointed out that last year's takeovers of Manweb by Scottish Hydro and the merger of Norweb with North West Water, raised similar competition issues. But the government declined to refer either to the MMC. The Consumers Association, among others, said yesterday that clearer guidelines would eliminate such inconsistencies.

Finally, there were renewed demands for reform of the MMC's structure. One competition lawyer said the MMC had too many members, no guidelines and was not bound by precedent. So it was prone to taking too broad a view of its responsibilities.

Lang makes his mark as king of competition and the consumer

By Robert Peston, Political Editor

The president is dead; long live the president. Any suggestion that Mr Ian Lang, the trade and industry secretary – or the president of the board of trade, to accord him his full pomp and title – may be a dapper imitation of his predecessor, Mr Michael Heseltine, was yesterday utterly dispelled.

His decision to block the bids by National Power and PowerGen runs counter to the philosophy introduced to the Department of Trade and Industry by Mr Heseltine. "I have no doubt that Hezza would have allowed the bids to proceed," said a senior government member.

Mr Lang, the most urbane and punctilious cabinet member, agonised about the decision up to the last moment. "It was very finely balanced," said one of his colleagues. "For a while I was sure it would go the other way."

Mr Lang has now made his mergers and acquisitions priorities absolutely clear. "At last we have a coherent policy," said a minister. "Lang has made it clear he is in favour of competition and the consumer. Frankly, when Heseltine was doing the job, our approach was far less comprehensible."

Mr Heseltine, in his three years doing the ministerial job he loved more than any other, significantly amended the Thatcherite competition agenda of the 1980s.

He paid lip service to the notion that takeovers should not proceed if they had a deleterious effect on domestic competition - but he also championed the notion that the government should not stand in the way of the creation of giant companies, able to compete more effectively on the global stage.

The classic example of this approach was his decision in the middle of last year to allow GEC to buy VSEL, the shipbuilder – even though the Monopolies and Mergers Commission recommended that the deal should not proceed.

Yesterday Mr Lang did precisely the reverse. The MMC said that the PowerGen and National Power takeovers should be allowed go ahead, but Mr Lang over-ruled it.

It was an immensely difficult decision for him. To save him embarrassment, his colleagues were all stressing in the run-up to the announcement that he was acting in a "quasi judicial" capacity. He was, they said, acting on the basis of some rather nebulous case law and that politics would not enter into the matter.

Ashley Ashwood

Tough decision: colleagues say Ian Lang agonised about the bids

But the political pressures were immense, following the leak a fortnight ago of the MMC's recommendation. Tory free-market rightwingers, led by Mr Norman Lamont, the former chancellor, were urging him to block the deals.

Yesterday, euphoric at the announcement, Mr Lamont congratulated Mr Lang. "This is excellent news for electricity users and the government's privatisation programme."

Mr Lamont, who wrote to Mr Lang earlier this week arguing against the takeovers in the strongest possible terms, may have had an influence. "Thank God for Norman's intervention," said an influential member of the government.

However, other Tories had lobbied Mr Lang to back the MMC. Sir Michael Grylls, a Tory backbencher, wrote saying that "if these mergers create UK energy groups, fully open to the forces of competition in their domestic market, but better able to compete worldwide, then that must be good news for 'UK PLC'".

In the background, Labour kept its powder dry – although Mr Gordon Brown, the shadow chancellor, urged that it should strongly object to the takeovers. Had the deals gone through, it was planning to force a vote on the issue – which could well have embarrassed the government, with its slim majority.

Yesterday, Mr Lang refused to be interviewed about his decision, saying it would not be proper as he had been acting in a "judicial" capacity.

Mr Lang's written statement made it clear that he was not opposed in principle to vertical integration in the electricity industry, or distribution companies being owned by generators. However, there would be "significant detriments to competition" if the takeovers went ahead "in the current state of the market". He was supported by views from the Office of Fair Trading, the competition watchdog, and the Office of Electricity Regulation.

A close colleague of Mr Lang yesterday said that the MMC's analysis had been "accepted", but not its conclusion. What he was referring to was the MMC's preliminary conclusion that the deals "may be expected to operate against the public interest".

However, the MMC also said that this damage to the public interest would be eliminated if certain minor conditions were imposed on PowerGen and National Power, forcing them to dispose of certain power station interests and amending licenses to facilitate regulation.

"We felt it was dangerous to go down that route," said a minister. "We were less convinced than the MMC about the health of the market."

This is not the first time that Mr Lang has shown a reluctance to embrace Mr Heseltine's agenda in full. In March, he wrote to the deputy prime minister expressing grave reservations about the latter's plans to deprive up to 9m workers in small businesses of legal protection against unfair dismissal. Earlier this year he retreated from Mr Heseltine's plans to privatise much of the administrative work in processing company insolvencies.

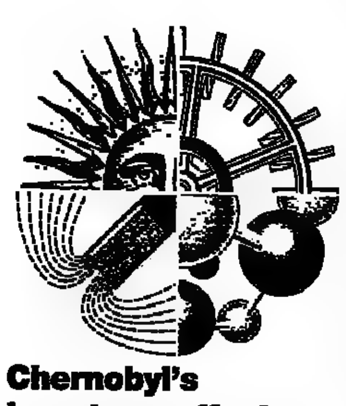
As a result, colleagues have noted tension entering their relationship. "They are not on the best of terms," said one.

The unanswered question is whether Mr Lang has, by blocking the takeovers, merely jumped from one political minefield to another. It may open the door to a bid for National Power from the US electricity company, the Southern Company.

However, Mr Lang is no more politically naive than his sophisticated predecessor. One of his advisers pointed out yesterday that the government controls a golden share in National Power and PowerGen, limiting any individual investor in these companies to a holding no greater than 15 per cent.

"We would not hesitate to enforce our golden share powers if there was an unwelcome bid," he said. If that prevents Southern bidding for National Power, Mr Lang can sit in his presidential suite in peace.

Worth Watching · Vanessa Houlder



Chernobyl's long-term effects

Genetic mutations have occurred twice as often in children of families exposed to the radioactive fallout from the 1986 Chernobyl accident, as elsewhere.

This finding, reported in today's Nature, may help focus attention on the long-term genetic consequences of the disaster, which has its 10th anniversary tomorrow.

Although the Chernobyl disaster has been linked with thyroid cancer in children, little has been known about the long-term health effects.

Scientists at the Russian Academy of Sciences, the University of Leicester and the Research Institute for Radiation Medicine in Mogilev studied people in Belarus, a few hundred kilometres from the disaster site.

University of Leicester: tel, (0)116 252 3143; fax (0)116 252 3378.

Early warning for motorway drivers

A low-cost warning system that will inform motorway drivers of accidents, delays and visibility problems has been designed by a consortium of US electronics companies and Georgia Tech.

The transmission and messaging systems send a wide range of emergency warnings to motorists using advanced radar detectors that can be read on a liquid crystal display. Transmitters would be placed on police and other emergency vehicles, bridges and signs.

Georgia Institute of Technology: US, tel 404 894 8444; fax 404 894 6983.

Satellite navigation for the blind

Trials are about to begin on a satellite navigation system designed to help blind people find their way around cities.

The EU-funded system consists of a portable computer, which contains electronic ordnance survey maps of the area, a speech synthesiser and a satellite navigation system.

The computer uses information from the satellite to plot the route; spoken instructions are transmitted via a small earphone.

The Mobic consortium includes UK, German and Swedish universities, FH Papenmeir of Germany, BT Laboratories and the Royal National Institute for the Blind.

Royal National Institute for the Blind: UK, tel (0)171 388 1266; fax (0)171 388 7747.

Clearer sound from lightweight speaker

A lightweight hi-fi speaker has been designed that cuts down sound distortion by creating a virtually uniform magnetic field within the speaker.

The Kenwood Electronics speaker used two powerful, neodymium magnets inside the voice coil instead of the normal ferrite magnet which is usually placed around the voice coil.

The speaker system, originally designed for the McLaren F1 Road Car, weighs up to two thirds less than conventional speakers. The cost of the systems range from £74.95 to £149.95.

Kenwood Electronics: UK, tel (0)1923 816444; fax (0)1923 212477.

Witchweed meets its poison

Scientists in Israel and Kenya have tripled corn yields on experimental plots by eradicating witchweed. This is a parasitic weed that devastates grain crops at a cost of some $10m (£6.6m) a year in Kenya alone.

These weeds, which attach themselves to the root of the crop are difficult to deal with because by the time they emerge above the ground they have already drained the crop of nutrients.

The solution, put forward by the Weizmann Institute in Israel, was to choose a crop that is resistant to a certain type of herbicide and soak its seeds in it before planting. The parasitic weeds are killed by absorbing the weed-killer from the crop roots or soil.

Weizmann Institute of Science: Israel, tel 97289343852; fax 97289344104.

Genes of yeast used in bread and beer hold vital clues about human illness, says **Nicki Brimicombe**

Using their loaf

Research into yeast offers the prospect of improved fermentation methods in beer production as well as new drug design

In recent years, numerous experts and officials have said that moderate alcohol consumption is good for health. Now it appears that the yeast used to produce beer and wine may help combat human disease in other ways.

An international group of scientists has just finished identifying the protein-encoding genes belonging to yeast and found many similarities between yeast genes and their human counterparts. The breakthrough was announced at a conference in Brussels yesterday.

The yeast is the first higher (or non-bacterial) organism to be completely decoded, which means that scientists can identify the protein which each gene is responsible for making. This knowledge will not only help brewers and bread makers, but should help research into human genetic disorders, accelerate drug design and reduce animal testing in medical research.

The completed map of yeast's genetic material (or genome) is the result of a seven-year European Commission-funded project involving more than 100 European laboratories. The only other living things to have been completely decoded are bacteria, which have a very different genetic make-up from that of humans.

In yeast more than half of the 6,100 genes bear a resemblance to human genes. This means that many of the proteins made by yeast are similar to those made by man, and many of a yeast cell's responses will parallel those of a human cell. For these reasons studying yeast will give medical researchers insights into how a new drug might affect a human cell.

"Man has about 10 times more protein encoding genes than yeast," explains Andre Goffeau, professor at the Université Catholique de Louvain, in Belgium, who led the study. "The homologies between yeast genes and human genes will help us understand the function of human genes. In the long term it could also reduce the number of animals used in drug research, because reviewing the effect of a test compound in a yeast cell will give us a good indication of what it will do in a human cell."

The research has implications for the brewing and food industry which can use the information to make fast and accurate improvements in the performance of fermentation yeast.

Several yeast genes also appear to be involved in resistance to antibiotics and by relating this information to bacteria and new drug design scientists may overcome this increasingly common problem.

The next phase of the researchers' work will facilitate research into more effective treatments for diseases such as colon cancer, cystic fibrosis, Duchenne muscular dystrophy and early onset breast and ovarian cancer.

In these diseases malfunctioning genes are known to be involved. In most instances a number of genes "gang up" and it is their concerted malfunction which makes a person more likely to develop the illness. For most genetically related diseases, scientists have only identified one or two of the causative genes. They need to know all the genes associated with a disease to develop an effective treatment.

About 60 per cent of yeast's protein-encoding genes are responsible for making proteins of known function, but the role of the remaining decoded proteins remainder is a mystery. The same is true for the human genome: a large proportion of the genes appear to code for proteins which serve no apparent purpose and some of these genes appear to be dormant.

These mystery genes could hold vital clues to many human diseases. Under normal circumstances they may be dormant and not express the proteins for which they code. However, they might be activated if the environmental conditions change or they may act as a back-up which takes on the work of damaged genes. Alternatively, the proteins for which they are responsible could help protect the cell from disease or death. It may be that the malfunction of these mystery or "orphan" genes causes genetically linked diseases.

The EU has just awarded one of its largest single grants of Ecu7.3m (£5.7m) over two years to support a project in which 144 laboratories in 14 European countries will study yeast's orphan genes.

"Each laboratory will be allocated six of the mystery genes and endeavour to find the role of the protein for which they code," says Stephen Oliver, professor at the University of Manchester Institute of Science and Technology (Umist), who is scientific co-ordinator for the project. "They will systematically remove each gene and then grow the damaged yeast in a variety of conditions – in different nutrients, at a range of temperatures – to determine whether the yeast thrives or dies in the absence of the gene. Once the function of the mystery genes has been established, scientists can see whether similar human genes play the same role and determine whether their malfunction could cause disease."

In another project supported by the Wellcome Trust, scientists from Umist and the Institute of Molecular Medicine at the John Radcliffe Hospital in Oxford are developing a minimalist yeast in which all the non-essential, mystery genes are stripped out, leaving a yeast equipped with only the bare genetic necessities.

Each of the remaining genes will then be systematically removed and replaced with copies of human genes, to determine what protein this gene creates and whether it enables the yeast to survive. In the next step, mutated versions of the same human gene will be inserted into yeast to see whether the mutations are supportable.

In this way the minimalist yeast will help reveal those genes – even the orphan genes – which are vital to the healthy functioning of a cell, which mutations can be supported and which are likely to cause disease or death.

On the trail of BSE

Evolutionary biology has provided some new clues to one of the mysteries concerning the degenerative brain diseases, Creutzfeldt-Jakob disease and BSE in cattle.

The apparent link between some cases of CJD and BSE in cattle has raised the question of why humans should be particularly susceptible to a brain disease of cattle. There is no evidence of humans being affected by scrapie, which has been endemic in sheep for centuries.

Work published in today's Nature may provide an insight into this question by revealing some genetic similarities between certain brain proteins in humans and cattle.

The Medical Research Council funded research by Oxford's Department of Zoology and the NERC Institute of Virology into the evolutionary history of the genes that code for prions, the proteins that when altered in certain ways are responsible for CJD, BSE and scrapie.

The cattle prions were, unsurprisingly, more closely related to sheep prions than human prions. But the cattle and human prions share two features of their sequence that are not found in sheep prions. These are two "substitutions", where one amino acid in the prion protein has been swapped for another. The odds of the cattle and human protein sharing these substitutions at these precise positions by chance are just 1.2 in 10,000.

This finding is significant because the substitutions occur in a part of the gene thought to be involved in prion diseases. So far, the role of these substitutions can only be guessed at. It could protect the cellular prion protein from being modified by the pathogenic form of the protein; alternatively it could make them more susceptible.

For the present, David Krakauer, one of the Oxford researchers, warns against drawing over-hasty conclusions. "All we have done is try to shift the debate from pure speculation to half speculation."

Vanessa Houlder

COMMODITIES AND AGRICULTURE

Wheat price surges to new peak in fast trading

By Deborah Hargreaves

The Chicago grains market recorded another record high yesterday when the wheat futures contract for May at the Chicago Board of Trade hit $6.65 a bushel in fast trading – up from $6.53 on Tuesday and compared with the all-time high of $6.45 a bushel set in 1980.

Maize futures also achieved a new peak of $4.62 by mid-session and the oats market reached its daily permissible limit when it jumped by 10 cents to $2.88 per bushel.

The surge in prices is being driven by the tightest global wheat stocks since the second world war, a strong export market and concern about the US winter wheat crop.

Traders pushed feedgrains such as oats higher as they continued to speculate on a shortage in the US. Many US farmers have also switched their plantings from oats to spring wheat or corn because of the better prices offered by those markets.

Oats planting is also delayed because of wet conditions and some snow on the ground in North and South Dakota and Minnesota.

"The outlook is still very uncertain and 1996-1997 is likely to be a very tight crop year," said Mr Dick Loewy, a Chicago agricultural analyst at AgResource.

"The markets will break once we start getting spring wheat crops in, but that is still a long way off."

Grain prices have been surging for the past 8 months when the tightness in world stocks started to become apparent. Analysts say that stocks have now slipped lower than in the mid-1970s.

"Real prices of agricultural commodities have been falling for the last 40 years – we need a very substantial rise in price if we are going to limit consumption in line with falling supply," said Mr Steve Strongin, commodities research manager at Goldman Sachs in New York.

Mr Strongin added that the additional capacity for growing more crops was a lot lower than most people believed. "Set-aside acreage in the European Union and US is trivial in terms of global demand."

US analysts are expecting high feed prices to lead to a massive liquidation of US livestock herds as farmers find they are not making a profit out of pigs and cattle.

"Once that does happen, it will take 1 to 2 years to regenerate the hog and cattle herds and that will lead to big chomps off domestic meal and corn use," said Mr Loewy.

Clouds over Zimbabwe tobacco fields

Tony Hawkins on headaches caused by indigenisation policy and the 5% tax on sales

Good rains and the world shortage of quality leaf point to buoyant prices when Zimbabwe's tobacco auction floors opened this week. Following the wettest rainy season in a decade, the fine-cured tobacco crop will be slightly below the forecast 210m kg, but at 200m kgs production will still be up fractionally on last year's 198.8m kgs.

Quality, however, will be far superior to 1995's drought-stressed crop and the market is anticipating an 18 per cent increase in average prices to around 260 US cents a kg (1995: 212 cents). If achieved, this will be the third highest price obtained on the floors after the record 325 cents (US) in 1991 and 265 cents the previous year.

The last time prices took off in this way in 1990/91 the combination of output expansion and consumer resistance, resulted in a sharp downturn that pushed the price as low as 125 cents in 1993. This time, however, the industry is more optimistic.

Low labour costs and high yields make Zimbabwe a far more competitive producer of quality tobacco than its rivals in Brazil and North America.

The Zimbabwe industry ought to be laughing all the way to the bank, but there are three clouds on the horizon.

One is the land issue, revived in last month's presidential election campaign by President Robert Mugabe. Since taking office 16 years ago, his administration has been promising to expropriate – with some compensation – white-owned farmland for redistribution to the country's black majority. Little has been achieved, but in recent months the president has turned up the heat a few notches, insisting that this time the government really will implement its election promises.

The second, more imminent, problem is the announcement in February of a 5 per cent turnover tax on tobacco sold on the auction floors.

Although the finance bill including this new tax was passed by parliament last month, it has not yet been gazetted and growers hope that last minute representations might just result in a change of heart in government. It is not clear just how this could happen since it would involve the president either over-ruling parliament or sending the bill back to be amended.

The chief bone of contention at this stage is that growers are required to pay income tax on the 5 per cent that accrues to the state. Because the tobacco sales tax is not deductible for income tax purposes, a grower is paying tax on income he never receives.

With prices set to rise 18 per cent, the 5 per cent tax is less than industry-threatening, though ironically it will impact severely on the 9,000 or so black small-scale growers. These farmers are most vulnerable because their yields are well below those obtained by the large-scale farmers and leaf quality is usually poor too.

The most serious threat to the industry – or so it seems at this stage – is the activity of a vociferous black businessman, Mr Roger Boka, who has set up the (Indigenous) Zimbabwe Association of Tobacco Merchants.

In recent months, he has promised to set up a third tobacco floor – scheduled to start operations within weeks – with a capacity of virtually double the existing crop; he has set a May "tender" date for the entire 200m kg crop; and he has tried to block the award of a buying licence to the white-owned merchant company Tribac, thereby bringing himself into open conflict with the Mr Denis Norman, minister of agriculture.

Just how the Boka tender plan will operate in a market where – by law – growers must sell their leaf on the auction floors, and in an industry with a vast range of different grades and qualities, is unclear. The auction floor sales system, criticised because of the dominance of a handful of major multinational buyers, may be imperfect but seems the best available.

The industry is too big and far too important for Zimbabwe – accounting for more than a fifth of total world exports – to be disrupted by the indigenisation campaign, but the signs are that President Mugabe himself will step into the fray before very much longer.

It is not going to be easy for him to come out against those pushing for tobacco industry indigenisation. The trick will be to find a way of appeasing the lobby for it without damaging confidence in the country's top export business.

Dominated as it is by a handful of international buyers, the *auction system may be imperfect but seems the best available*

Mine waste management initiative from Canada

By Kenneth Gooding
Mining Correspondent
in Bal Harbour

Canada plans to take the lead in an international initiative to improve the management of mine tailings or waste, said Ms Anne McLellan, Canada's minister of natural resources, yesterday.

This initiative follows two embarrassing accidents at mines outside Canada but partly owned by Canadian companies.

Last year at the Omai Gold Mine in Guyana, operated by Cambior, part of a dam collapsed allowing waste to flow into a nearby river.

This month waste leaked from the Marcopper Mine in the Philippines, part owned by Placer Dome.

Speaking at the Investing in the Americas here in Florida, Ms McLellan said that "concerned governments, international institutions, and the world mining industry must move now to improve the management of tailings".

She pointed out that Canada not only provided technical advice after the Omai incident but had also given assistance to some other Latin American countries that wanted to improve their mine.

"But industry and governments have more to do. The implications of inaction are too great for industry to ignore", she added.

"Canada would promote the idea via international organisations such as the United Nations Commission on sustainable development.

"It is important for Canada to take a lead role in developing a deeper understanding of the technical problems associated with mine tailings management," Ms McLellan said.

Omai was closed for six months after the accident while a public inquiry was held and the reasons for the dam failure investigated.

Mr Brian Sucre, Guyana's Geology and Mines Commission, said that the incident provided "a good example of government and companies working together to overcome a major environmental problem".

Mr Henry Roy, Cambior's senior vice president, finance and administration, said Omai would produce 270,000 troy ounces of gold this year compared with 175,000 in 1995.

OPIC restores Irian Jaya cover

By Manuela Saragosa
in Jakarta

The US Overseas Private Investment Corporation has reinstated $100m in political risk insurance for Freeport McMoRan Copper & Gold's mining operation on the island of Irian Jaya, Indonesia.

OPIC withdrew cover last year because it deemed that waste from the mine, which ranks as one of the world's largest copper and gold projects, was degrading rain forests in the region.

Freeport Indonesia, the Indonesian unit of the giant New Orleans-based mining company, said OPIC had agreed to reinstate the insurance until the end of this year.

It said OPIC was encouraged by Freeport's willingness to undertake a voluntary environmental audit and by indications the company will continue efforts to manage the mine's environmental impact.

Last week, Dames & Moore, a US-based environmental consulting firm, established that although Freeport Indonesia had been "slow" to meet its environmental challenges in the past it had made significant progress in recent years.

It noted that Freeport had adopted 24 of the 33 recommendations made by the auditors, many of which go beyond the Indonesian government's requirements. The company is considering the remainder.

OPIC, a US government agency which provides insurance for US companies doing business overseas, "will monitor the implementation of the recommendations throughout the eight-month period of the reinstatement," Freeport said.

BHP obtains delay

By Nikki Tait in Sydney and agencies

Broken Hill Proprietary, the large Australian mining group, has won a 60-day stay in its long-running court battle with Papua New Guinean villagers over compensation for environmental damage resulting from the Ok Tedi copper mine.

In Melbourne's Supreme Court, Justice David Byrne has granted BHP's application to adjourn all compensation applications, in the light of a new PNG law which bans such legal action in foreign courts.

The law, which came into effect earlier this month, makes it an offence to pursue such claims through foreign courts, and provides for financial and jail term penalties.

Lawyers for BHP argued that the company risked breaching PNG law by fighting the compensation claim in Australia, and sought the delay while parties tried to decide how to proceed.

However, lawyers *acting for* the villagers said that their clients were willing to continue their compensation bid despite the risk of prosecution.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1572.5-3.5	1606-7
Previous	1573-4	1607-8
High/low	1588/1567	1610/1602.5
AM Official	1567.5-8.5	1603-3.5
Kerb close		1609-10
Open Int.	212,509	
Total daily turnover	39,955	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1330-40	1370-75
Previous	1330-35	1365-70
High/low		1370
AM Official	1335-40	1370-75
Kerb close		1370-2
Open Int.	5,704	
Total daily turnover	1,734	

■ LEAD ($ per tonne)

Close	809-10	805-5.5
Previous	820-2	813-4
High/low	814/813	810/806
AM Official	812-3	807-8
Kerb close		807-8
Open Int.	38,774	
Total daily turnover	3,688	

■ NICKEL ($ per tonne)

Close	7940-50	8040-45
Previous	8030-40	8125-35
High/low	7950	8100/8020
AM Official	7960-65	8060-70
Kerb close		8080-90
Open Int.	37,694	
Total daily turnover	8,003	

■ TIN ($ per tonne)

Close	6510-20	6530-40
Previous	6610-20	6630-35
High/low		6620/6540
AM Official	6525-30	6540-50
Kerb close		6525-30
Open Int.	17,105	
Total daily turnover	5,549	

■ ZINC, special high grade ($ per tonne)

Close	1034.5-5.5	1060.5-1.0
Previous	1040-1	1066-6.5
High/low		1065/1059
AM Official	1033.5-4.0	1059.5-60.0
Kerb close		1063-4
Open Int.	73,400	
Total daily turnover	15,101	

■ COPPER, grade A ($ per tonne)

Close	2675-6	2595.5-6.5
Previous	2680-2	2604-5
High/low		2607/2581
AM Official	2652-5	2582-3
Kerb close		2604-5
Open int	171,267	
Total daily turnover	65,371	

■ LME AM Official £/$ rate: 1.5134
LME Closing £/$ rate: 1.5143

Spot: 1.5140 3 mths: 1.5121 6 mths: 1.5104 9 mths: 1.5086

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open Int
Apr	124.80	+1.55	124.80	122.45	453	1,290
May	122.65	+1.15	123.80	120.60	4,368	15,451
Jun	121.65	+1.05	121.60	120.00	278	1,422
Jul	120.70	+1.20	121.20	118.60	3,745	17,893
Aug	119.45	+1.15	118.80	118.60	40	581
Sep	118.30	+1.10	118.80	116.20	213	3,944
Total					9,188	50,367

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	390.80-391.20		
Opening	391.10-391.40		
Morning fix	391.10	258.067	481.757
Afternoon fix	390.90	258.107	481.739
Day's High	391.20-391.50		
Day's Low	390.60-390.90		
Previous close	391.50-391.90		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.09	6 months	3.74
2 months	3.99	12 months	3.68
3 months	3.94		

Silver Fix	p/troy oz.	US cts equiv.
Spot	351.20	531.75
3 months	355.75	537.95
6 months	360.40	544.30
1 year	369.80	555.95
Gold Coins	$ price	£ equiv.
Krugerrand	391-394	258-260
Maple Leaf	401.70-404.25	-
New Sovereign	91-94	60-62

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int
Apr	[illegible]					
Jun	[illegible]					
Aug	[illegible]					
Oct	[illegible]					
Dec	[illegible]					
Feb	[illegible]					
Total	[illegible]					

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int
Apr	[illegible]					
Jul	[illegible]					
Oct	[illegible]					
Jan	[illegible]					
Apr	[illegible]					
Total	[illegible]					

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int
Jun	[illegible]					
Sep	[illegible]					
Dec	[illegible]					
Total	[illegible]					

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int
Apr	[illegible]					
May	[illegible]					
Jul	[illegible]					
Sep	[illegible]					
Dec	[illegible]					
Mar	[illegible]					
Total	[illegible]					

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open Int
Jun	[illegible]					
Jul	[illegible]					
Aug	[illegible]					
Sep	[illegible]					
Oct	[illegible]					
Nov	[illegible]					
Total	[illegible]					

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open Int
Jun	[illegible]					
Jul	[illegible]					
Aug	[illegible]					
Sep	[illegible]					
Oct	[illegible]					
Nov	[illegible]					
Total	[illegible]					

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open Int
May	[illegible]					
Jun	[illegible]					
Jul	[illegible]					
Aug	[illegible]					
Sep	[illegible]					
Oct	[illegible]					
Total	[illegible]					

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
May	[illegible]					
Jun	[illegible]					
Jul	[illegible]					
Aug	[illegible]					
Sep	[illegible]					
Oct	[illegible]					
Total	[illegible]					

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open Int
May	[illegible]					
Jun	[illegible]					
Jul	[illegible]					
Aug	[illegible]					
Sep	[illegible]					
Oct	[illegible]					
Total	[illegible]					

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open Int
May	[illegible]					
Jun	[illegible]					
Jul	[illegible]					
Aug	[illegible]					
Sep	[illegible]					
Oct	[illegible]					
Total	[illegible]					

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne) [illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel) [illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel) [illegible]

■ BARLEY LCE (£ per tonne) [illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel) [illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb) [illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton) [illegible]

■ POTATOES LCE (£/tonne) [illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point) [illegible]

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne) [illegible]

■ COCOA CSCE (10 tonnes; $/tonnes) [illegible]

■ COCOA (ICCO) (SDR's/tonne) [illegible]

■ COFFEE LCE ($/tonne) [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) [illegible]

■ COFFEE (ICO) (US cents/pound) [illegible]

■ WHITE SUGAR LCE ($/tonne) [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs) [illegible]

■ COTTON NYCE (50,000lbs; cents/lbs) [illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs) [illegible]

Nuts and Seeds
[illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Apr 24	Apr 23	month ago	year ago
2130.8	2141.4	2138.5	2333.2

■ CRB Futures (Base: 1967=100)

Apr 23	Apr 22	month ago	year ago
261.07	261.74	252.68	na

■ GSCI Spot (Base: 1970=100)

Apr 23	Apr 22	month ago	year ago
215.93	212.35	209.13	184.30

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs) [illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int
Jun	58.800	-0.175	59.275	58.450	4,317	18,415
Jul	57.125	+0.150	57.400	56.675	1,403	7,656
Aug	53.675	-0.050	54.050	53.200	1,029	5,622
Oct	48.800	-0.200	49.200	48.600	434	3,913
Dec	51.075	-	51.425	50.800	328	3,728
Feb	73.400	-0.200	73.600	73.200	55	633
Total					8,611	41,769

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int
May	81.225	+2.000	81.225	79.025	1,319	4,086
Jul	80.575	+2.000	80.575	78.400	1,326	4,997
Aug	78.425	+2.000	78.425	76.400	568	1,628
Feb	76.950	+2.000	76.950	75.700	59	424
Mar	77.000	+2.000	77.000	77.000	1	12
May	79.700	+1.700	78.500	78.500	7	21
Total					3,271	16,747

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	May	Sep	May	Sep
1500	88	145	-	18
1600	5	80	21	51
1700	-	38	115	108
■ COPPER (Grade A) LME	May	Sep	May	Sep
2500	182	112	-	56
2600	83	65	1	104
2700	12	32	30	170
■ COFFEE LCE	May	Jul	May	Jul
1850	127	159	158	232
1900	109	142	190	266
1950	93	126	224	302
■ COCOA LCE	May	Jul	May	Jul
875	160	185	-	2
900	136	163	-	4
925	114	142	-	6
■ BRENT CRUDE IPE	Jun	Jul	Jun	Jul
1850	-	-	12	42
1900	-	-	33	68
1950	-	98	41	83

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$17.58-7.67x	-0.425
Brent Blend (dated)	$20.37-0.42	-0.505
Brent Blend (June)	$19.87-9.92	-0.29
W.T.I.	$22.38-2.40x	-0.22

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$234-237	+4
Gas Oil	$180-182	+1
Heavy Fuel Oil	$112-114	
Naphtha	$196-199	+2
Jet fuel	$197-199	+1
Diesel	$178-180	-0.5

■ NATURAL GAS (Pence/therm)

Bacton (May)	9.50-9.60

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)‡	$391.00	-0.70
Silver (per troy oz)‡	531.50c	-4.0
Platinum (per troy oz.)	$401.50	-3.25
Palladium (per troy oz.)	$133.50	-1.40
Copper	125.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	16.24r	+0.17
Tin (New York)	310.50	+3.0
Cattle (live weight)	107.10p	+6.34*
Sheep (live weight)	165.03p	-13.56*
Pigs (live weight)†	104.34p	-2.86*
Lon. day sugar (raw)	$289.70	
Lon. day sugar (wte)	$389.50	+0.5
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (May)♥	98.25p	-1.00
Rubber (Jun)♥	98.25p	-1.00
Rubber (KL RSS No1)	368.00m	+2.0
Coconut Oil (Phil)§	$800.0v	-15.0
Palm Oil (Malay.)§	$567.5v	-2.5
Copra (Phil)§	$506.0v	
Soyabeans (US)	232.0v	-1.0
Cotton Outlook'A' Index	82.35c	
Wooltops (64s Super)	440p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x June. v Apr/May. y Apr/Jun. ♥ London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on 552 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,052 Set by GRIFFIN

ACROSS
1 They're written up when people speak (8,6)
10 Lift engineers turned as I entered (5)
11 Grasping line used by some acrobats (9)
12 Sauce label firm when filling in (7)
13 Finding relief worker is French, storm (7)
14 Direction's impossible when mum's around! (5)
16 I mixed Ribena Lawrence drunk (9)
19 Home girl's unhealthy diet derived from parents (9)
20 Dance backward as many a bachelor will do (5)
22 Reprimand college teacher right away (7)
25 For a start is annoying some craftsman (7)
27 Naughty Colin's eaten girl's pasta (9)
28 Said why boy's taking one back that's loud (5)
29 On which one travels down? (3,11)

DOWN
2 Cleaner to hurl basin clumsily (9)
3 Likelihood of first woman's name being included (5)
4 One needling people before first military pageant (9)
5 Poke it with finger, perhaps (5)
6 Is cleverer than to have pains after cold (9)
7 Low seat half scratched by animals (5)
8 Staff respect restructuring (7)
9 Grant with no name is free (6)
15 Man unclear about requiring great strength (9)
17 Holding Spike close is charming (9)
18 Allowance now on duty (9)
19 Will I cited as partly illegal (7)
21 When upset any son bothers! (6)
23 Takes article round in engineer's boat (5)
24 Run off with animal the social worker's forgotten (5)
26 Flog crack after dance (5)

Solution 9,051

INTERNATIONAL CAPITAL MARKETS

Gilts auction bid better than expected

By Samer Iskandar in London and Lisa Bransten in New York

International government bonds had a quiet session, with little change in prices, as markets had to absorb new 10-year paper in the UK and Germany, as well as an auction of five-year notes in the US.

Analysts said the dollar's failure to trade through the resistance level of DM1.52 deprived peripheral European markets from the boost they needed to continue outperforming German bunds.

UK gilts saw little volatility, although the £3bn auction of 10-year paper was better bid than traders had expected. Bids covered 2.65 times the issue amount, and the tail – the difference between the highest and the average accepted yields – came out at 2 basis points. At a previous auction of the same 10-year gilt, in December 1995, cover was only 1.12 times and the tail stretched out 11 basis points.

The result was described as satisfactory by Mr Stuart Thomson, chief international economist at Nikko in London. Mr Andrew Roberts at UBS Limited said the difference between the average price at the auction of 95$\frac{25}{32}$ and the market price just before the auction of 96⅛ showed that "large domestic accounts were quite willing to buy – and hold – gilts, provided the price is right". He said buying interest was "limited above the 106 level" on Liffe's long gilt future. This contract closed at 106¼, down $\frac{1}{32}$.

■ Irish bonds continued to perform strongly, with the yield spread of 10-year UK gilts over Irish gilts widening by one basis point to 63 points. The 10-year benchmark, the 8 per cent bond due 2006, closed at 103.18, up 0.08. Mr Roberts at UBS said the momentum behind the recent outperformance was still strong, although the market was "getting close to levels where holders are tempted to take profits".

■ Mixed signals about the strength of the US economy and an auction of $12.5bn in five-year notes set for later in the day kept US Treasury prices near their levels of late Tuesday in morning trading.

Near midday, the benchmark 30-year Treasury was $\frac{1}{8}$ lower at 90$\frac{1}{8}$ to yield 6.772 per cent while the two-year note was unchanged at 99⅞, yielding 5.925 per cent. The June Treasury bond future was down $\frac{1}{8}$ at 110$\frac{7}{8}$.

Traders were hopeful that the afternoon's auction would bring the solid demand seen for Tuesday's two-year notes.

GOVERNMENT BONDS

In early trading, existing five-year notes were unchanged at 100$\frac{1}{8}$ to yield 6.923 per cent.

Figures on March durable goods orders were generally interpreted as weak, despite a larger than expected gain in the total. Orders rose by 1.4 per cent, only partially reversing February's 2.3 per cent decline, but economists had forecast a smaller rebound of 0.4 per cent.

Most of the gains, however, came from a jump in aircraft orders that tend to be volatile and lag broader economic trends. Excluding the transport sector, durable goods orders slipped 1 per cent.

"Excluding aircraft, the data indicate continued growth in the manufacturing sector, but at a moderate pace," said Ms Marilyn Schaja of Donaldson Lufkin & Jenrette.

■ German bunds closed slightly higher, as dealers bought bonds to cover short positions they had taken before yesterday's auction of 10-year paper. Liffe's June bund future settled at 97.08, down 0.01, but in the cash market the 6 per cent bund due 2006 inched up by 0.17 to 97.73.

■ French OATs ended a quiet session slightly higher ahead of today's meeting of the central bank's monetary policy council. Matif's June notional future settled at 123.28, up 0.12. In the cash market, the 7¼ per cent OAT due 2006 closed at 106.05, up 0.02. The yield spread over bunds widened by three basis points to 10 points.

■ Italian bonds ended slightly higher, in line with other European markets. Liffe's June BTP future settled at 114.03, up 0.08. In the cash market, the 10-year benchmark bond closed at 98.80, up 0.04. The spread over German bunds was unchanged at 355 basis points.

Mr Mark Fox, head of fixed income research at Lehman Brothers, said "the convergence pattern has slowed down, which is normal after the recent strong move".

He said Italian short-term interest rates could fall by approximately one percentage point in the near future but warned that short maturities had already "factored in the cuts". Better value could be found in "intermediate and long term bonds".

■ Swedish bonds traded in line with bunds, the 10-year benchmark closing up 0.18 at 86.235. Lehman's Mr Fox said he believed this market to be the most promising of the European high yielders, "having missed out on the strong tightening [of Spanish and Italian spreads] during the last two to three weeks".

He said he expected the 10-year yield spread to tighten by "at least 20 basis points against bunds", possibly within a week. This spread stood at 190 points at yesterday's close.

Record D-Mark jumbo for Allianz International

By Conner Middelmann

The eurobond market was dominated by jumbo offerings – especially in the D-Mark sector, which saw three issues totalling DM3.5bn.

The highlight was the largest D-Mark issue for a German corporate: a DM1.5bn seven-year offer for Allianz International Finance, the funding arm of Germany's biggest insurance company. The bonds were priced to yield 22 basis points over bunds and 5 points over domestic mortgage bonds, considered relatively tight given that Allianz is an unrated corporate.

However, that was offset by the issuer's rarity value and its popularity among German and Swiss retail investors, said lead manager Dresdner Bank. The offering was further supported by the positive tone in the underlying government bond market, thanks to a successful bund auction and investors' increasing willingness to move further along the yield curve into longer maturities.

Two jumbo Pfandbriefe, or mortgage bonds, were also issued: DM1bn of six-year paper for Rheinische Hypothekenbank and DM1bn of four-year bonds for Westfälische Hypothekenbank. While this paper is still largely placed in Germany, it is being targeted increasingly at overseas investors. The book-runners of both issues contained foreign banks: UBS in the former and Salomon in the latter. "Pfandbriefe are beginning to compete with D-Mark eurobonds – especially those aimed at international investors," said a dealer.

INTERNATIONAL BONDS

Nonetheless, traders did not expect yesterday's deals to eclipse the European Investment Bank's return to the market, due today, with a five-year bond of at least DM1bn via Dresdner and Merrill Lynch.

In the dollar market, another jumbo – $1bn of five-year global bonds for the US Federal National Mortgage Association – met strong demand. "The dollar market has stabilised in recent weeks and investors wanted a new five-year benchmark," said an official at Lehman Brothers, joint lead with Goldman Sachs.

Another successful issuer in dollars was ABN Amro Bank, whose $500m five-year deal saw such demand that its yield premium over Treasuries tightened slightly from the launch spread of 25 basis points.

"The bank hasn't done a public bond issue since the merger five years ago, and we wanted this to be a bellwether institutional transaction," said an official at lead manager ABN Amro Hoare Govett.

The first lira-denominated asset-backed securitisation, L785bn for SCCR Series One, was collateralised by a $500m US dollar credit card-backed bond for MBNA, the US credit card company. "We wanted to explore opportunities for a lira asset-backed market, so the easiest thing was to take an existing security, repackage it and watch the response," said an official at lead J.P. Morgan.

The coupon is just 1 basis point above three-month Libor, but most lira FRNs tend to yield below that level.

Merrill Lynch launched an asset-backed floater for MBNA Master Trust. The $637.5m deal will be priced today with a coupon of one-month Libor plus 15 to 16 basis points.

Mexican Brady offer to test investor confidence

By Richard Lapper

Mexico's offer to exchange up to $2.5bn in outstanding Brady bonds for a new 30-year dollar-denominated global bond will provide an important test of investor confidence in the country, which is recovering from the financial crisis of early last year.

More broadly, it could also provide clues to the way other Brady bonds – issued by Latin American and some other governments in exchange for distressed commercial bank debt – might be restructured.

The offer, launched last week, is complex but the basic principle underlying it straightforward enough.

In exchange for Brady bonds, which yesterday yielded 341 basis points over 30-year US Treasuries, investors are being offered a new security which will yield at least 425 basis points over Treasuries, with the exact pricing and yield calculation depending on the result of a "Dutch auction" to be held later this month.

At the same time, however, investors that opt to trade-in the Bradys will assume greater risk. All Mexico's Bradys are backed by collateral in the form of 30-year zero-coupon US Treasuries, providing an element of security in the event of default. By contrast, the new global bond provides no such protection.

The Brady market prices Mexican risk though the "stripped yield spread", which is calculated on the price of the Brady less the price of the zero-coupon collateral. The stripped spread on Mexican par bonds stood at 734 basis points over Treasuries yesterday.

However, the Mexican government argues that as a guide to pricing default risk, the stripped yield spread is inefficient and introduces an upwards blip into the longer end of its yield curve.

It says that this is because the stripped yield is theoretical: to access it, investors would need to buy a derivative instrument, and that could be expensive.

By contrast, the new global bond gives easier access to Mexican risk. Dealers and analysts are currently betting that the spread on the new instrument will be between 525 and 575 basis points over Treasuries, compared with a yield spread of about 370 points over Treasuries on Mexico's benchmark 10-year eurobond.

For many investors this may not be sufficient compensation for holding 30-year Mexican paper: after all, Mexico has defaulted on its debt as recently as 1982.

Other investors could well be interested, however. For those looking for income, the higher coupon is attractive. The new global could have a coupon of about 12 per cent, for example, compared with just 6.88 per cent for Mexican discount bonds and 6.25 per cent for its par bonds.

Mexican banks are also understood to be keen on the new instrument, partly for this reason and partly because of accounting rules.

Indeed, last week positive sentiment about the deal helped bolster the price of Mexican Bradys.

According to West Merchant Bank's secondary market debt price index, by yesterday afternoon Mexico's Brady bonds had risen by 3 per cent since April 15, compared with a 2.3 per cent rise for the index as a whole over the same period.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
MBNA Master Trust II (a)‡	637.5	(a)	(a)	Sep 2003	0.275	-	Merrill Lynch
ABN Amro Bank	500	6.5	99.40R	May 2001	0.25R	+25(6¼%-01)	ABN Amro Hoare Govett
D-MARKS							
Allianz Intl Finance	1.5bn	6.00	99.23R	May 2003	0.30R	+22(6¾%-03)	Dresdner Bank
Westfaelische Hypo (p)	1bn	4.50	98.70	May 2000	0.225	-	DG/Hypo/NordLB/Salomon
Commerzbank Overseas Fin (b)	250	5.25	101.88R	Dec 1999	0.23R	-	Commerzbank
SWISS FRANCS							
PDSK(d)	460	4.125	100.13	May 2004	undisol.	-	Zürcher Kantonalbanken
EBN	150	3.75	103.00	Dec 2001	2.00	-	Credit Suisse
Deutsche Pfandbrief (c)	200	3.50	102.80	Dec 1999	1.75	-	Credit Suisse
FRENCH FRANCS							
Caisse Natl des Autoroutes	1.5bn	6.80	99.43R	May 2012	0.42R	-	Credit Agricole/Lyonnais
NEW ZEALAND DOLLARS							
GECC	100	8.75	100.88	May 1999	1.50	-	Hambros Bank
ITALIAN LIRE							
SCCR Series One‡	785bn	(e)	100.0R	May 2000	0.15R	-	JP Morgan

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. Floating rate note. ‡Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) To be priced. 1-mth Libor +15–16bp. Class B: $56.25m. Fees: 0.30. 1-mth Libor +28–30bp. b) Originally launched for DM500m 10/95. Plus 163 days accrued interest. c) Deutsche Pfandbrief und Hypothekenbank. Increased from SFr200m. Plus 30 days accrued. d) Pfandbriefzentrale der Schweizerischen Kantonalbanken. e) 3-mth Libor +1bp. p) Oeffentliche Pfandbrief

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	108.0250	+1.040	8.75	9.06	9.02
Austria		6.125	02/06	98.2100	-0.150	6.37	6.46	5.66
Belgium		7.000	05/06	102.8500	-0.050	6.60	6.73	7.30
Canada *		8.750	12/05	107.0100	-0.030	7.70	7.72	7.73
Denmark		8.000	03/06	105.2400	-0.260	7.23	7.38	7.67
France	BTAN	5.750	03/01	100.8750	+0.120	5.53	5.79	5.74
	OAT	7.250	04/06	106.0500	+0.020	6.41	6.58	6.70
Germany Bund		6.000	02/06	97.7300	+0.170	6.31	6.46	6.49
Ireland		8.000	08/06	103.1800	+0.080	7.58	7.79	8.04
Italy		9.500	02/06	98.8000	+0.040	9.89†	10.24	10.45
Japan	No 140	6.600	06/01	119.2820	+0.100	2.39	2.40	1.78
	No 182	3.000	09/05	97.8400	-0.170	3.33	3.35	3.15
Netherlands		6.000	01/06	98.0200	-0.060	6.27	6.41	6.51
Portugal		11.875	02/05	117.5100	-0.230	8.61	9.16	9.76
Spain		10.150	01/06	106.1700	-0.300	9.14	9.35	10.01
Sweden		8.000	02/05	86.2350	+0.130	8.26	8.45	9.04
UK Gilts		8.000	12/00	102-05	-4/32	7.42	7.56	7.40
		7.500	12/06	96-12	-2/32	8.01	8.12	8.10
		9.000	10/08	106-28	-4/32	8.11	8.22	8.22
US Treasury *		5.625	02/06	93-17	-2/32	6.54	6.52	6.34
		6.000	02/26	90-00	-3/32	6.79	6.61	6.66
ECU (French Govt)		7.500	04/05	104.8800	-0.060	6.76	6.90	7.30

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest

		Treasury Bills and Bond Yields			
		One month	5.11	Two year	5.92
Prime rate	8¼	Two month	5.05	Three year	6.05
Broker loan rate	7	Three month	5.11	Five year	6.31
Fed funds	5¼	Six month	5.22	10-year	6.52
Fed funds at intervention	-	One year	5.45	30-year	6.79

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	123.22	123.28	+0.12	123.48	123.18	117,673	146,189
Sep	121.76	121.92	+0.12	122.00	121.76	2,217	7,329
Dec	120.40	120.60	+0.16	120.64	120.40	3,543	4,101

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls May	Calls Jun	Calls Sep	Puts May	Puts Jun	Puts Sep
120	-	-	-	-	0.09	-
121	-	-	-	-	0.13	-
122	1.41	1.59	-	0.01	0.30	-
123	0.40	0.98	-	0.01	0.56	-
124	0.02	0.43	-	0.64	-	-

Est. vol. total, Calls 21,268 Puts 23,173. Previous day's open int. Calls 182,237 Puts 191,454.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.07	97.08	-0.01	97.32	97.02	136885	160902
Sep	96.24	96.18	-0.01	96.36	96.17	1265	6689

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
9700	0.66	0.49	0.71	0.84	0.58	1.31	1.63	1.66
9750	0.41	0.38	0.54	0.64	0.83	1.65	1.86	1.96
9800	0.24	0.22	0.40	0.48	1.16	2.04	2.22	2.30

Est. vol. total, Calls 20073 Puts 13349. Previous day's open int., Calls 198395 Puts 163195

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	113.65	114.03	+0.08	114.29	113.62	41725	61364
Sep	113.50	113.39	+0.08	113.50	113.28	131	824

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
11400	1.12	1.97	1.09	2.58
11450	0.88	1.75	1.35	2.86
11500	0.66	1.56	1.62	3.17

Est. vol. total, Calls 3094 Puts 6946. Previous day's open int., Calls 67630 Puts 86037

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	99.15	98.85	-0.29	99.17	98.78	66,012	45,725

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	106-09	106-04	-0-06	106-19	106-01	78243	113660
Sep		105-04	-0-05			0	167

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
106	0-63	0-67	1-12	1-27	0-56	1-40	2-04	2-19
107	0-34	0-36	0-50	1-03	1-26	2-09	2-45	2-59
108	0-16	0-22	0-36	0-46	2-08	2-14	3-26	3-40

Est. vol. total, Calls 3252 Puts 2180. Previous day's open int. Calls 35641 Puts 26829

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	91.94	91.80	-0.02	92.04	91.86	1,297	7,150

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	110-09	110-12	+0-04	110-14	110-02	268,971	343,237
Sep	109-20	109-25	+0-03	109-29	109-17	1,025	26,095
Dec	109-12	109-08	+0-03	109-12	109-08	67	5,344

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	118.26			118.32	118.15	2917	0
Sep	117.17			117.18	117.10	287	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Apr 24	Day's change %	Tue Apr 23	Accrued interest	xd adj. ytd
1 Up to 5 years (24)	121.72	+0.01	121.84	2.47	2.72
2 5-15 years (19)	146.06	-0.17	146.32	3.05	2.79
3 Over 15 years (9)	160.49	-0.37	161.08	3.06	2.48
4 Irredeemables (6)	184.80	-0.35	185.41	4.39	1.47
5 All stocks (58)	141.46	-0.14	141.74	2.88	2.80

	Low coupon yield Apr 24	Apr 23	Yr. ago	Medium coupon yield Apr 24	Apr 23	Yr. ago	High coupon yield Apr 24	Apr 23	Yr. ago
5 yrs	7.51	7.49	8.26	7.55	7.52	8.38	7.66	7.64	8.47
15 yrs	8.18	8.15	8.29	8.20	8.16	8.37	8.29	8.25	8.56
20 yrs	8.24	8.21	8.28	8.26	8.22	8.37	8.32	8.29	8.51
Irred.†	8.29	8.26	8.22						

Index-linked	Wed Apr 24	Day's change %	Tue Apr 23	Accrued interest	xd adj. ytd
6 Up to 5 years (1)	194.85	+0.08	194.67	-0.05	4.43
7 Over 5 years (11)	186.77	-0.04	186.84	1.20	1.53
8 All stocks (12)	186.83	-0.03	186.89	1.17	1.40

	Inflation 5% Apr 24	Apr 23	Yr. ago	Inflation 10% Apr 24	Apr 23	Yr. ago
Up to 5 yrs	2.75	2.78	3.33	1.32	1.35	1.83
Over 5 yrs	3.72	3.71	3.78	3.51	3.50	3.58

Average gross redemption yields are shown above. Coupon Bands: Low: 0%–7¾%; Medium: 8%–10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Apr 24	Apr 23	Apr 22	Apr 19	Apr 18	Yr ago	High*	Low*
Govt. Secs. (UK)	92.67	92.42	92.74	92.55	92.29	92.16	96.34	91.97
Fixed Interest	112.26	112.10	112.10	112.04	111.88	111.17	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Apr 23	Apr 22	Apr 19	Apr 18	Apr 17
Gilt Edged bargains	122.4	102.4	79.8	93.9	86.8
5-day average	97.1	89.9	84.3	84.3	82.4

UK GILTS PRICES

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for August 1995: 149.9 and for March 1996: 151.5.

"Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on April 24

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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MARKETS REPORT

Foreign exchange markets go off the boil

By Philip Gawith

Currency markets had a quieter day yesterday following the recent spurt in activity prompted by the cut last week in German interest rates and the centre-left victory in the Italian elections.

The dollar moved in a narrow 60 basis point range against the D-Mark, compared to the normal range of 100-130 basis points. It closed in London at DM1.5219, from DM1.518. Against the yen it finished at Y106.785, from Y106.455.

The D-Mark was generally steadier, and this was reflected in the D-Mark/yen rate. Although this did at one point dip below Y70 to Y69.85, it later recovered to close at Y70.16, from Y70.12.

The lira had a steadier day after its sharp gains at the start of the week. It finished unchanged at L1,023. The French franc, meanwhile, continued to steam ahead, closing at FFr3.377, from FFr3.383.

Sterling continued to benefit from D-Mark weakness, rising to a seven month high of DM2.3082, before finishing at DM2.3023. Against the dollar it closed at $1.5128, from $1.5144.

■ The two dominant forces in the market recently – the weakening D-Mark, and the $/Yen rate – remain live issues, but the D-Mark's ability to rally against the yen was an indication that these trends were temporarily in abeyance.

While the dollar retains a large band of bullish followers, there is no shortage of cautionary voices. One factor cited as supporting a firmer dollar is the US's shrinking trade deficit. But Mr Carl Weinberg, chief economist at High Frequency Economics in New York, said the improvement did not merit a stronger dollar. "The US deficit on goods and some services is still running at an annualised rate of about $109bn a year."

He continued: "For the currency markets, the reduction in the US trade deficit is a lessening of a negative factor, but not necessarily a positive factor...we prefer to think of the dollar's situation as being less bad rather than more good."

Mr Weinberg also hinted that trouble might lie ahead when US asset markets go into reverse. "To finance a current account deficit, a nation must borrow the shortfall from the rest of the world. A good performing stock and bond market helps a deficit country stay afloat. However, heaven help the dollar if the stock and bond markets ever fizzle."

Technical analysis also provides grounds for caution. Mr Richard Donaldson, a Berkshire based Elliot Wave analyst, said the five wave price move upwards from Y80 to Y109 was "the clearest signal that mass market psychology is presently over optimistic on the dollar against the yen. A reaction, at least in terms of profit-taking, if not trend change downwards, is imminent."

Mr Donaldson said he expected the market to "take profits to about the Y94 level by June – a fall of 13 per cent. What it does after that will be crucial to the long term trend. If the dollar then reverses and breaks through the Y113 level (where the big fall to Y80 started in January 1994) then the long term down trend which started in 1972, or before, may finally have changed upwards."

■ While sterling's rally looks surprising against the backdrop of a weak government, it does enjoy some theoretical support. Analysis from Merrill Lynch contends that on a purchasing power parity basis, *sterling is the most undervalued currency in Europe* at the moment and, with the exception of the Canadian dollar, "one of the most undervalued currencies in the industrial world."

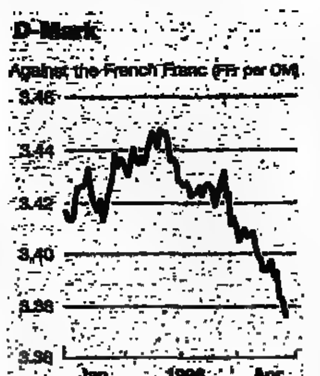
The Merrill analysis maintains that sterling and gilts benefit from the fact that the UK may well meet the Maastricht convergence criteria. "If the Labour party wins the next election and then decides to bring sterling into EMU in 1999, both sterling and gilts would benefit enormously."

Some chartists are also optimistic about the outlook for sterling. Ms Patricia Elbaz, analyst at MMS in London, forecasts DM2.35 within six months. She points to the break of the DM2.30 pyschological level; the set of higher closes since April 18, and strong base below DM2.25; and the fact that sterling has only recovered 13 pfennigs of the 60 pfennigs fall since it exited the ERM in September 1992.

"A 50 per cent retracement of the large move from DM2.77 to DM2.17 is DM2.47," she notes.

D-Mark

Against the French Franc (FFr per DM)



Source: FT Extel

■ **Pound in New York**

Apr 24	— Latest —	— Prev. close —
£ spot	1.5140	1.5170
1 mth	1.5132	1.5162
3 mth	1.5101	1.5150
1 yr	1.5066	1.5066

■ **OTHER CURRENCIES**

Apr 24	£	$
Czech Rp	41.8267 - 41.8584	27.6540 - 27.6640
Hungary	221.440 - 221.808	146.410 - 146.450
Iran	4529.20 - 4537.50	3000.00 - 3000.00
Kuwait	0.4536 - 0.4541	0.2999 - 0.3001
Poland	3.9930 - 3.9961	2.6400 - 2.6419
Russia	7473.31 - 7480.77	4941.00 - 4944.00
U.A.E.	5.5547 - 5.5576	3.6725 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Apr 24		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.1882	+0.0291	812 - 951	16.2357	16.1870	16.1689	2.2	16.092	2.6	-	-	104.9
Belgium	(BFr)	47.3204	+0.0878	808 - 600	47.4140	47.2370	47.2154	2.7	47.0054	2.7	46.0654	2.8	106.9
Denmark	(DKr)	8.8794	+0.0114	764 - 834	8.9037	8.8750	8.864	2.1	8.8312	2.2	8.6879	2.2	107.8
Finland	(FM)	7.2941	+0.0115	869 - 012	7.3180	7.2760	7.2897	0.7	7.2815	0.7	-	-	81.0
France	(FFr)	7.7754	-0.0012	727 - 781	7.8028	7.7655	7.7625	2.0	7.7399	1.8	7.6097	1.7	109.5
Germany	(DM)	2.3023	+0.0036	014 - 032	2.3090	2.3007	2.2975	2.5	2.2869	2.7	2.2364	2.8	108.4
Greece	(Dr)	366.189	-0.378	040 - 337	367.845	366.029	-	-	-	-	-	-	67.2
Ireland	(I£)	0.9692	+0.0013	685 - 698	0.9699	0.9679	0.9684	1.0	0.9671	0.9	0.9605	0.9	98.2
Italy	(L)	2354.67	+4.02	345 - 590	2360.66	2352.28	2362.92	-4.2	2378.02	-4.0	2430.72	-3.2	75.8
Luxembourg	(LFr)	47.3204	+0.0878	808 - 600	47.4140	47.2370	47.2154	2.7	47.0054	2.7	46.0654	2.8	106.9
Netherlands	(Fl)	2.5771	+0.005	758 - 783	2.5826	2.5735	2.5708	3.0	2.5581	3.0	2.4989	3.0	107.0
Norway	(NKr)	9.8923	+0.0038	848 - 998	9.9463	9.8818	9.8833	1.1	9.8642	1.1	9.7695	1.3	98.6
Portugal	(Es)	235.679	+0.137	557 - 802	236.465	234.460	236.104	-2.2	237.009	-2.3	-	-	96.2
Spain	(Pta)	191.347	+0.251	271 - 422	191.685	191.283	191.657	-1.9	192.152	-1.7	193.807	-1.3	81.8
Sweden	(SKr)	10.2051	+0.0385	955 - 146	10.2427	10.1737	10.2063	-0.1	10.206	-0.1	10.2102	0.0	89.2
Switzerland	(SFr)	1.8657	+0.0065	646 - 667	1.8711	1.8641	1.8593	4.1	1.8466	4.1	1.7897	4.1	112.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.0
Ecu	-	1.2232	-0.0003	226 - 238	1.2268	1.2222	1.2219	1.3	1.2189	1.4	1.2056	1.4	-
SDR†	-	1.04489	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5117	-0.0016	105 - 129	1.5155	1.5104	-	-	-	-	-	-	-
Brazil	(R$)	1.4995	-0.0014	990 - 999	1.5022	1.4989	-	-	-	-	-	-	-
Canada	(C$)	2.0581	-0.0042	573 - 589	2.0642	2.0542	2.0574	0.4	2.0537	0.6	2.0467	0.6	84.7
Mexico	(New Peso)	11.2477	+0.015	379 - 575	11.2575	11.2339	-	-	-	-	-	-	-
USA	($)	1.5128	-0.0016	125 - 131	1.5160	1.5121	1.512	0.5	1.5109	0.5	1.5039	0.6	96.6
Pacific/Middle East/Africa													
Australia	(A$)	1.9282	+0.0119	272 - 292	1.9339	1.9146	1.9307	-1.6	1.9358	-1.6	1.961	-1.7	92.4
Hong Kong	(HK$)	11.7025	-0.0132	995 - 056	11.7273	11.6976	11.6945	0.8	11.6929	0.7	11.6651	0.3	-
India	(Rs)	51.5622	-0.0906	006 - 237	51.8600	51.5000	-	-	-	-	-	-	-
Israel	(Shk)	4.8012	-	957 - 066	4.8088	4.7965	-	-	-	-	-	-	-
Japan	(Y)	161.544	+0.334	460 - 599	161.990	161.110	160.819	5.4	159.029	5.5	152.914	5.3	157.2
Malaysia	(M$)	3.7820	+0.0006	805 - 835	3.7958	3.7805	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2210	+0.0033	194 - 225	2.2242	2.2193	2.226	-2.7	2.2355	-2.6	2.2693	-2.2	108.9
Philippines	(Peso)	39.5900	-0.0406	065 - 735	39.6773	39.4979	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6732	-0.0056	717 - 746	5.6848	5.6708	-	-	-	-	-	-	-
Singapore	(S$)	2.1328	-0.0005	316 - 339	2.1373	2.1309	-	-	-	-	-	-	-
South Africa	(R)	6.4476	+0.0306	387 - 564	6.4565	6.4169	-	-	-	-	-	-	-
South Korea	(Won)	1176.24	-1.59	794 - 855	1181.03	1177.77	-	-	-	-	-	-	-
Taiwan	(T$)	41.1558	+0.0076	249 - 868	41.2084	41.1181	-	-	-	-	-	-	-
Thailand	(Bt)	38.2512	-0.0164	284 - 739	38.3260	38.2280	-	-	-	-	-	-	-

† Rates for Apr 23. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 24		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.7074	+0.0301	048 - 099	10.7220	10.6695	10.6979	2.2	10.6469	2.3	10.4574	2.3	104.6
Belgium	(BFr)	31.2800	+0.09	600 - 000	31.3000	31.1900	31.225	2.1	31.11	2.2	30.57	2.3	106.6
Denmark	(DKr)	5.8695	+0.0135	680 - 710	5.8776	5.8622	5.862	1.5	5.845	1.7	5.776	1.6	106.9
Finland	(FM)	4.8216	+0.0125	178 - 253	4.8331	4.8007	4.8151	1.6	4.8031	1.5	4.7576	1.3	80.2
France	(FFr)	5.1398	+0.0045	390 - 405	5.1497	5.1322	5.1338	1.4	5.1239	1.2	5.0818	1.1	106.9
Germany	(DM)	1.5219	+0.0036	216 - 222	1.5245	1.5193	1.5193	2.1	1.5136	2.2	1.4874	2.3	107.8
Greece	(Dr)	242.060	-	010 - 110	242.850	241.630	243.735	-8.3	247.085	-8.3	261.06	-7.8	66.8
Ireland	(I£)	1.5609	-0.0039	602 - 615	1.5660	1.5600	1.5615	-0.4	1.5629	-0.4	1.5539	0.5	-
Italy	(L)	1556.50	+4.25	600 - 700	1559.00	1554.00	1562.55	-4.7	1574.1	-4.5	1615	-3.8	75.2
Luxembourg	(LFr)	31.2800	+0.09	600 - 000	31.3000	31.1900	31.227	2.0	31.1205	2.0	30.64	2.0	106.6
Netherlands	(Fl)	1.7035	+0.005	030 - 040	1.7047	1.7004	1.7002	2.4	1.693	2.5	1.6613	2.5	106.5
Norway	(NKr)	6.5391	+0.0035	353 - 428	6.5635	6.5198	6.5362	0.5	6.5306	0.5	6.4941	0.7	97.7
Portugal	(Es)	155.790	+0.25	740 - 840	156.140	154.800	156.105	-2.4	156.635	-2.3	158.84	-2.0	95.2
Spain	(Pta)	126.485	+0.295	460 - 510	126.590	126.360	126.735	-2.4	127.185	-2.2	128.705	-1.8	81.4
Sweden	(SKr)	6.7458	+0.0323	408 - 508	6.7685	6.7131	6.7569	-2.0	6.7743	-1.7	6.8163	-1.0	88.9
Switzerland	(SFr)	1.2333	+0.0056	328 - 337	1.2350	1.2310	1.2297	3.5	1.2225	3.5	1.1905	3.5	112.3
UK	(£)	1.5128	-0.0016	125 - 131	1.5160	1.5121	1.512	0.6	1.5109	0.5	1.5039	0.6	83.7
Ecu	-	1.2368	-0.001	364 - 371	1.2380	1.2343	1.2375	-0.7	1.2392	-0.8	1.248	-0.9	-
SDR†	-	0.69116	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	997 - 999	0.9999	0.9997	-	-	-	-	-	-	-
Brazil	(R$)	0.9912	+0.0001	911 - 913	0.9913	0.9910	-	-	-	-	-	-	-
Canada	(C$)	1.3605	-0.0014	602 - 607	1.3621	1.3580	1.3605	0.1	1.3606	0.0	1.3634	-0.2	83.0
Mexico	(New Peso)	7.4350	+0.0175	300 - 400	7.4400	7.4200	7.5965	-26.1	7.7815	-18.6	9.545	-28.4	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.3
Pacific/Middle East/Africa													
Australia	(A$)	1.2745	+0.0092	742 - 750	1.2757	1.2662	1.2765	-1.9	1.28	-1.7	1.2987	-1.9	94.2
Hong Kong	(HK$)	7.7357	-0.0006	355 - 362	7.7367	7.7350	7.7364	-0.1	7.7382	-0.1	7.7592	-0.4	-
India	(Rs)	34.1500	-0.025	500 - 500	34.2500	34.0400	34.3	-5.3	34.605	-5.3	36.075	-5.6	-
Israel	(Shk)	3.1737	+0.0032	714 - 760	3.1760	3.1705	-	-	-	-	-	-	-
Japan	(Y)	106.785	+0.33	770 - 800	107.000	106.350	106.34	5.0	105.44	5.0	101.7	4.8	137.7
Malaysia	(M$)	2.5000	+0.005	995 - 005	2.5040	2.4965	2.5009	-0.4	2.507	-1.1	2.5305	-1.2	-
New Zealand	(NZ$)	1.4680	+0.0037	674 - 686	1.4689	1.4672	1.4711	-2.5	1.4769	-2.4	1.5015	-2.5	-
Philippines	(Peso)	26.1700	-	200 - 200	26.2200	26.1200	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7501	+0.0001	499 - 503	3.7506	3.7496	3.7506	-0.1	3.7513	-0.1	3.7546	-0.1	-
Singapore	(S$)	1.4098	+0.0011	093 - 103	1.4105	1.4085	1.4062	3.0	1.4002	2.7	1.3748	2.5	-
South Africa	(R)	4.2620	+0.0245	570 - 670	4.2700	4.2350	4.2907	-8.1	4.3422	-7.5	4.5665	-7.1	-
South Korea	(Won)	778.650	+0.25	600 - 900	779.200	778.600	-	-	-	-	-	-	-
Taiwan	(T$)	27.2050	+0.053	000 - 200	27.2230	27.1790	27.225	-0.9	27.265	-0.9	-	-	-
Thailand	(Bt)	25.2850	+0.015	750 - 950	25.2950	25.2600	25.3837	-4.7	25.5075	-4.8	26.47	-4.7	-

† SDR rate per $ for Apr 23. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 23: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

April 24	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅝	3¼	3¼	3⅛	3⅜	7.00	2.50	-
week ago	3⅝	3¼	3¼	3¼	3⅜	7.00	3.00	-
France	3¾	3¾	3¾	3¾	3¾	3.70	-	5.60
week ago	3⅞	3¾	[illegible]	4⅛	4¼	3.70	-	5.60
Germany	3¼	3¼	3¼	3¼	3¼	4.50	2.50	3.30
week ago	3¼	3¼	3¼	3¼	3¼	5.00	3.00	3.30
Ireland	4⅝	4⅝	4⅝	5⅛	5½	-	-	6.25
week ago	5⅛	4⅝	5⅛	5¼	5¾	-	-	6.25
Italy	9½	9¾	9⅛	8⅞	[illegible]	-	9.00	9.65
week ago	9⅝	9¾	9¾	9⅝	9¼	-	9.00	10.00
Netherlands	2¾	2¾	2¾	2⅝	2⅞	-	3.00	3.30
week ago	2⅞	2¾	2⅞	2⅞	3¼	-	3.00	3.30
Switzerland	1⅞	1⅞	1⅞	1⅞	1⅞	5.00	1.50	-
week ago	1⅞	1⅞	1⅞	1⅞	1⅞	5.00	1.50	-
US	5¼	5¼	5⅜	5⅜	5⅝	-	5.00	-
week ago	5⅛	5¼	5⅜	5⅜	5⅝	-	5.00	-
Japan	½	½	½	½	⅝	-	0.50	-
week ago	½	½	½	½	¾	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5¼	5⅜	5⅝	5⅞	-	-	-
week ago	-	5¼	5½	5⅝	5⅞	-	-	-
US Dollar CDs	-	5.13	5.15	5.24	5.52	-	-	-
week ago	-	5.13	5.15	5.23	5.53	-	-	-
ECU Linked Ds	-	4⅜	4¼	4⅛	4⅛	-	-	-
week ago	-	4⅜	4¼	4⅛	4⅛	-	-	-
SDR Linked Ds	-	3¼	3¼	3⅛	[illegible]	-	-	-
week ago	-	3⅜	3⅜	3¼	3⅜	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 24	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅜ - 3¼	3½ - 3⅜	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	[illegible] - 3½
Danish Krone	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	4⅛ - 3⅞
D-Mark	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3½ - 3⅜
Dutch Guilder	2⅞ - 2¾	2⅞ - 2¾	2⅞ - 2¾	2⅞ - 2¾	2⅞ - 2¾	2⅞ - 2¾
French Franc	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	4⅛ - 3⅞
Portuguese Esc.	7⅛ - 7	7⅛ - 7	7⅛ - 7	7⅛ - 6⅞	7⅛ - 6⅞	7⅛ - 6⅞
Spanish Peseta	7⅞ - 7¾	7⅞ - 7¾	7¾ - 7⅝	7¾ - 7⅝	7⅝ - 7½	7⅝ - 7½
Sterling	6⅛ - 5⅞	6⅛ - 5⅞	6 - 5⅞	6 - 5⅞	6⅛ - 6	6⅜ - 6⅛
Swiss Franc	2 - 1⅞	2⅛ - 2	1⅞ - 1¾	1⅞ - 1¾	1⅞ - 1¾	2 - 1⅞
Can. Dollar	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4¾ - 4⅝	5 - 4⅞	5⅜ - 5¼
US Dollar	5⅜ - 5¼	5¼ - 5	5⅜ - 5¼	5½ - 5⅜	5⅝ - 5½	5⅞ - 5¾
Italian Lira	10⅛ - 9⅞	9⅞ - 9¾	9⅞ - 9¾	9⅝ - 9	9⅜ - 9¼	9⅛ - 9
Yen	½ - ⅜	½ - ⅜	½ - ⅜	½ - ⅜	⅝ - ½	¾ - ⅝
Asian $Sing	2½ - 2⅜	2⅜ - 2¼	2⅜ - 2¼	2⅜ - 2¼	2½ - 2⅜	2⅝ - 2½

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.13	96.14	+0.04	96.16	96.12	14,985	60,521
Sep	96.11	96.12	+0.06	96.15	96.09	11,058	47,854
Dec	95.93	95.94	+0.05	95.97	95.90	6,211	29,037

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.84	96.84	+0.01	96.84	96.83	10381	216816
Sep	96.85	96.84	-	96.85	96.84	10630	235750
Dec	96.66	96.66	-0.01	96.67	96.65	11990	197364
Mar	96.35	96.35	-0.02	96.38	96.34	12857	124332

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	91.29	91.28	-0.02	91.32	91.25	12482	46069
Sep	91.85	91.84	-0.03	91.89	91.82	4759	30993
Dec	91.96	91.97	-0.01	92.01	91.94	2549	22137
Mar	91.89	91.90	-	91.94	91.88	1114	5566

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.16	98.17	+0.01	98.20	98.12	4356	23546
Sep	98.09	98.13	+0.05	98.14	98.05	4393	15933
Dec	97.86	97.87	+0.01	97.88	97.79	1536	11494
Mar	97.54	97.56	+0.02	97.58	97.52	708	5690

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	99.18	99.18	+0.01	99.18	99.17	449	na
Sep	98.91	98.91	+0.02	98.91	98.90	42	na
Dec	98.61	98.61	-	98.61	98.60	346	na

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.77	95.79	+0.02	95.80	95.77	1185	8469
Sep	95.77	95.80	+0.02	95.81	95.77	865	4113
Dec	95.62	95.64	+0.03	95.64	95.61	541	3220
Mar	95.33	95.35	+0.03	95.35	95.31	93	1931

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 24		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.78	16.43	4.866	2.048	4977	5.448	20.90	498.1	404.3	21.88	3.943	2.113	4.349	3.197	341.3	2.595
Denmark	(DKr)	53.29	10	8.757	2.593	1.091	2652	2.902	11.14	265.5	215.5	11.60	2.102	1.126	2.318	1.704	181.9	1.377
France	(FFr)	60.86	11.42	10	2.961	1.246	3029	3.314	12.72	303.2	246.0	13.13	2.400	1.286	2.647	1.946	207.7	1.573
Germany	(DM)	20.55	3.857	3.377	1	0.421	1023	1.119	4.297	102.4	83.10	4.435	0.811	0.434	0.894	0.657	70.16	0.531
Ireland	(I£)	48.83	9.163	8.024	2.376	1	2430	2.659	10.21	243.2	197.4	10.54	1.926	1.032	2.124	1.561	166.7	1.262
Italy	(L)	2.009	0.377	0.330	0.098	0.041	100.	0.109	0.420	10.01	8.123	0.434	0.079	0.042	0.087	0.064	6.858	0.052
Netherlands	(Fl)	18.36	3.445	3.017	0.893	0.376	913.9	1	3.839	91.46	74.23	3.962	0.724	0.388	0.799	0.587	62.67	0.475
Norway	(NKr)	47.84	8.976	7.860	2.327	0.980	2381	2.605	10	238.3	193.4	10.32	1.886	1.011	2.080	1.530	163.3	1.236
Portugal	(Es)	20.08	3.767	3.299	0.977	0.411	999.2	1.093	4.197	100.	81.16	4.332	0.792	0.424	0.873	0.642	68.52	0.519
Spain	(Pta)	24.74	4.641	4.064	1.203	0.507	1231	1.347	5.171	123.2	100.	5.337	0.976	0.523	1.076	0.791	84.42	0.639
Sweden	(SKr)	46.35	8.696	7.615	2.255	0.949	2307	2.524	9.689	230.9	187.4	10	1.828	0.979	2.016	1.482	158.2	1.198
Switzerland	(SFr)	25.36	4.758	4.167	1.234	0.519	1262	1.381	5.301	126.3	102.5	5.472	1	0.536	1.103	0.811	86.55	0.656
UK	(£)	47.32	8.879	7.775	2.303	0.969	2355	2.577	9.892	235.7	191.3	10.21	1.866	1	2.058	1.513	161.5	1.224
Canada	(C$)	22.99	4.314	3.778	1.119	0.471	1144	1.252	4.807	114.5	92.95	4.961	0.907	0.486	1	0.735	78.47	0.594
US	($)	31.26	5.866	5.136	1.521	0.640	1557	1.703	6.536	155.8	126.4	6.748	1.233	0.661	1.360	1	106.7	0.809
Japan	(Y)	29.30	5.498	4.814	1.425	0.600	1458	1.596	6.125	145.9	118.5	6.322	1.155	0.619	1.274	0.937	100.	0.757
Ecu		38.69	7.260	6.357	1.882	0.792	1926	2.107	8.088	192.7	156.4	8.348	1.526	0.818	1.682	1.237	132.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6592	0.6598	+0.0002	0.6601	0.6585	24,159	61,891
Sep	0.6630	0.6634	-0.0001	0.6634	0.6629	107	5,335
Dec	-	0.6675	-	-	-	4	398

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9445	0.9440	-0.0006	0.9472	0.9413	14,125	67,360
Sep	0.9546	0.9537	-0.0021	0.9549	0.9531	166	1,991
Dec	-	0.9669	-	-	-	11	1,164

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8155	0.8158	+0.0001	0.8165	0.8140	12,266	41,157
Sep	0.8218	0.8224	-0.0007	0.8227	0.8218	16	1,520
Dec	-	0.8306	-	-	-	5	570

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5136	1.5130	-0.0034	1.5144	1.5118	10,916	58,732
Sep	1.5116	1.5118	-0.0032	1.5120	1.5118	5	147
Dec	-	1.5100	-0.0034	-	1.5100	6	34

UK INTEREST RATES

LONDON MONEY RATES

Apr 24	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 - 4	6 - 5⅞	6⅛ - 5⅞	6⅛ - 5⅞	6⅛ - 6	6⅜ - 6⅛
Sterling CDs	-	-	5⅞ - 5¾	5⅞ - 5¾	6⅛ - 6	6⅜ - 6¼
Treasury Bills	-	-	5⅞ - 5¾	5⅞ - 5¾	-	-
Bank Bills	-	-	5⅞ - 5¾	5⅞ - 5¾	6 - 5⅞	-
Local authority deps.	5⅞ - 5⅝	5⅞ - 5¾	6 - 5⅞	6 - 5⅞	6⅛ - 6	6⅜ - 6¼
Discount Market deps	6 - 5	5⅞ - 5¾	-	-	-	-

UK clearing bank base lending rate 6 per cent from March 8, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4½

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Apr 19, 5.7902pc. ECGD fixed rate Stg. Export Finance. Make up day Mar 29, 1996. Agreed rate for period Apr 26, 1996 to May 25, 1996, Schemes II & III 7.38pc. Reference rate for period Mar 1, 1996 to Mar 29, 1996, Schemes IV & V 6.133pc. Finance House Base Rate 6.5pc from April 1, 1996

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.96	93.96	-	93.98	93.96	6908	77858
Sep	93.81	93.82	+0.01	93.85	93.81	8808	59303
Dec	93.44	93.45	+0.02	93.48	93.43	12997	66728
Mar	92.98	93.02	+0.04	93.04	92.98	7226	43127
Jun	92.62	92.66	+0.03	92.69	92.62	3492	36993

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9375	0.24	0.22	0.20	0.03	0.15	0.50
9400	0.07	0.09	0.12	0.11	0.27	0.67
9425	0.01	0.04	0.07	0.30	0.47	0.87

Est. vol. total, Calls 7538 Puts 5268. Previous day's open int., Calls 126023 Puts 116992

EMS EUROPEAN CURRENCY UNIT RATES

Apr 24	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	158.703	+0.041	-2.33	3.86	16
Netherlands	2.15214	2.13729	+0.00153	-0.69	2.14	5
Belgium	39.3960	39.2366	+0.0106	-0.40	1.85	3
Portugal	195.792	195.408	-0.22	-0.20	1.63	1
Austria	13.4383	13.4334	+0.0039	-0.04	1.47	0
Germany	1.91007	1.90953	+0.00036	-0.03	1.46	0
France	6.40608	6.45002	-0.006	0.69	0.74	-6
Denmark	7.28580	7.36420	-0.00056	1.08	0.35	-7
Ireland	0.792214	0.803579	-0.000436	1.43	0.00	-10
NON ERM MEMBERS						
Greece	292.867	303.791	-0.398	3.73	-3.21	-
Italy	2106.15	1953.92	+4.98	-7.23	8.84	-
UK	0.786652	0.829446	-0.00121	5.44	-3.80	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Apr	CALLS May	CALLS Jul	PUTS Apr	PUTS May	PUTS Jul
1.490	2.55	2.88	3.29	0.08	0.40	0.86
1.500	1.71	2.21	2.63	0.20	0.68	1.20
1.510	0.98	1.59	2.10	0.35	1.05	1.51
1.520	0.444	1.09	1.61	0.83	1.58	2.12
1.530	0.14	0.71	1.20	1.53	2.17	2.66

Previous day's vol., Calls 7,678 Puts 8,476 . Prev. day's open int., Calls 194,184 Puts 163,234

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.55	94.55	-	94.56	94.54	34,921	380,555
Sep	94.38	94.38	-	94.39	94.37	50,043	358,834
Dec	94.13	94.13	-0.01	94.15	94.11	78,316	349,163

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.00	95.02	+0.01	95.02	95.00	559	9,522
Sep	94.85	94.85	+0.01	94.85	94.85	138	5,084
Dec	-	94.66	-	-	-	157	793

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS May	CALLS Jun	CALLS Jul	CALLS Sep	PUTS May	PUTS Jun	PUTS Jul	PUTS Sep
9675	0.11	0.12	0.17	0.20	0.02	0.03	0.08	0.11
9700	0.01	0.02	0.05	0.08	0.17	0.18	0.21	0.24
9725	0	0	0.01	0.03	0.41	0.41	0.42	0.44

Est. vol. total, Calls 2809 Puts 2850. Previous day's open int., Calls 345455 Puts 345677

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9825	0.05	0.10	0.11	0.13	0.22	0.49
9850	0.03	0.04	0.04	0.36	0.41	0.67

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 5245 Puts 3071

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9125	0.26	0.78	1.03	0.23	0.19	0.31
9150	0.15	0.62	0.86	0.37	0.28	0.39
9175	0.08	0.45	0.70	0.55	0.36	0.48

Est. vol. total, Calls 525 Puts 1150. Previous day's open int., Calls 33216 Puts 17153

BASE LENDING RATES

	%
Adam & Company	6.00
Allied Trust Bank	6.00
AIB Bank	6.00
●Henry Ansbacher	6.00
Bank of Baroda	6.00
Banco Bilbao Vizcaya	6.00
Bank of Cyprus	6.00
Bank of Ireland	6.00
Bank of India	6.00
Bank of Scotland	6.00
Barclays Bank	6.00
Brit Bk of Mid East	6.00
●Brown Shipley & Co Ltd	6.00
Citibank NA	6.00
Clydesdale Bank	6.00
The Co-operative Bank	6.00
Coutts & Co	6.00
Credit Lyonnais	6.00
Cyprus Popular Bank	6.00
Duncan Lawrie	6.00
Exeter Bank Limited	7.00
Financial & Gen Bank	7.00
●Robert Fleming & Co	6.00
Girobank	6.00
●Guinness Mahon	6.00
Habib Bank AG Zurich	6.00
●Hambros Bank	6.00
Heritable & Gen Inv Bk	6.00
●Hill Samuel	6.00
C. Hoare & Co	6.00
Hongkong & Shanghai	6.00
Julian Hodge Bank	6.00
●Leopold Joseph & Sons	6.00
Lloyds Bank	6.00
Meghraj Bank Ltd	6.00
Midland Bank	6.00
* Mount Credit Corp	6.25
NatWestminster	6.00
●Rea Brothers	6.00
Royal Bk of Scotland	6.00
●Singer & Friedlander	6.00
●Smith & Williamson Secs	6.00
TSB	6.00
United Bank of Kuwait	6.00
Unity Trust Bank Plc	6.00
Western Trust	6.00
Whiteaway Laidlaw	6.00
Yorkshire Bank	6.00

● Members of London Investment Banking Association
* In administration

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Cont.

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings v P/e ratios are calculated under new ACT guidelines. z Dividend yield includes a special payment F Yield based on prospectus or other official estimates for 1996-97. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1996 L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710851

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

LGT Asset Management Ltd

IRELAND (REGULATED)(**)

Daiwa Europe Fund Mgrs Ireland Ltd - Contd.

Dragon Korea Fund Plc

Dresdner Kleinwort Benson Intl Mgt Services Ltd

Dynamic Pacific Portfolio Fund Plc

East Asia Hamon Ireland Ltd

Egerton Capital European Fund Plc

Emerging Dynamic Fund Plc

Emerging Market Growth Fund Plc

ISLE OF MAN (SIB RECOGNISED)

Mercury Fund Managers (IoM) Ltd

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

CMI Fund Managers (IoM)
Clerical Medical Hse, Douglas, IoM 01624 625588

INVESCO International Limited - Contd.

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

هكذا من الاصل

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Credit Investment Funds - Contd.

Credit Commercial de France

Daiwa Japan Sera Fund

Daiwa Japan Sera ... $10.60 11.07 -0.01

Pictet Group - Contd.

RBC Global Funds

Silver & Mercantile Latin American SICAV

Latin American NAV ... $10.07 -0.03

Rosenberg Global Mngt Co SA (u)

Rosenberg Management SA (u)

Rosenberg US Japan Mngt Co SA (u)

S.A.G. Edmond de Rothschild (Luxembourg)

SCI/TECH SA

Scudder, Stevens & Clark

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Lang shock and Wall St tumble upset equities

By Steve Thompson,
UK Stock Market Editor

A London stock market looking well set for a strong recovery after two sessions of losses was stopped in its tracks yesterday by shock news that the proposed bids by the two English power generators, National Power and PowerGen, for Southern Electric and Midlands Electricity had been blocked.

The market had been expecting a statement from Mr Ian Lang, the secretary of state for trade and industry, giving the go-ahead for the bids, so the news sent a series of severe shock waves careering through the utilities areas of the market, which retreated sharply.

Dealers said many of the big marketmaking firms and international arbitrageurs, who have been running big positions in the relevant stocks, had suffered heavy losses as shares in the generators and recs plummeted.

Sentiment in London was also badly affected by a weak opening to Wall Street, which fell some 20 points shortly after trading started and was down over 40 points not long after dealings stopped in London. Generators/recs occupied the top four placings in the FT-SE 100 worst performers table and the top five rankings in the FT-SE mid 250 league. Falls ranging from 4.8 per cent in Scottish Power to almost 9 per cent in Southern Electric cost the FT-SE 100 index 6.4 points. The index ended at the day's lowest level, 3,817.6, down a net 15.4.

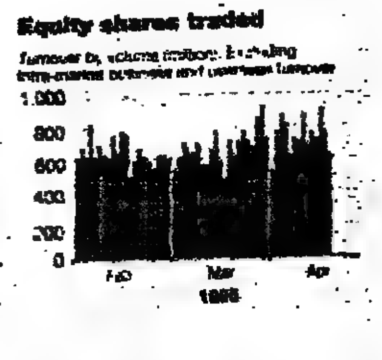
The Mid 250, bolstered by a surprise bid by the Conrad Black-owned Hollinger group for the 36 per cent minority interest in The Telegraph, which produced a 30 per cent jump in Telegraph shares, managed a minor gain, closing 4.6 up at 4,544.7, although a far cry from the 18 points-plus gain it recorded earlier in the session.

Traders, still shaken by the stunning turnaround in the utilities area, said the sectors could fall further in the aftermath of the Lang decision, but insisted the news would not prevent more overseas bids in the recs. One specialist insisted: "There will be no independent recs by September."

The electricity story totally deflated an otherwise recovering stock market. An uneasy opening, triggered by worries about the prospect of a big rights issue and the auction of £3bn worth of 10-year gilts, saw the Footsie slip away to drift into neutral territory within minutes of the opening before staging a useful rally towards mid-morning. The recovery came after the gilts auction was covered some 2.65 times, news that prompted a flurry of buying in equities.

And traders once again picked up the scent of impending takeover activity, especially in the utilities, but also around the various sectors. The day's hottest bid stories again included Ladbroke, the gaming to hotels group, whose shares raced up to top the 200p level amid exceptionally heavy trading. Hilton International, Scottish & Newcastle and Bass remain favourites to break up Ladbroke. Another bid story gaining momentum over the day was Lucas Industries, whose chief executive, Mr George Simpson, is about to move over to head GEC.

Turnover at 6pm reached 970.3m shares. Customer activity on Tuesday was valued at £2.1bn.



Indices and ratios

FT-SE 100	3817.6	-15.4
FT-SE Mid 250	4544.7	+4.6
FT-SE-A 350	1930.9	-5.6
FT-SE-A All-Share	1912.25	-4.64
FT-SE-A All-Share yield	3.69	3.68
FT Ordinary index	2851.9	-6.9
FT-SE-A Non Fins p/e	17.53	17.55
FT-SE 100 Fut Jun	3832.00	-11.00
10 yr Gilt yield	8.03	8.00
Long gilt/equity yld ratio:	2.25	2.25

Best performing sectors

1 Property +1.3
2 Health Care +1.0
3 Oil Exploration & Prod +0.8
4 Leisure & Hotels +0.8
5 Engineering: Vehicles +0.7

Worst performing sectors

1 Electricity -5.0
2 Gas Distribution -3.1
3 Utilities -2.3
4 Water -1.5
5 Extractive Industries -0.8

Shock wave in power

The UK government yesterday dropped a bombshell on the electricity sector after it announced it had decided to block the takeover bids for Southern Electric and Midlands Electricity, by two of the UK's biggest generators.

A late afternoon statement from the Department of Trade and Industry (DTI) said the minister had decided not to permit PowerGen's offer for Midlands and National Power's bid for Southern Electric.

The market had expected the bids to get the green light after reports of an impending announcement from the DTI seeped through the market on Tuesday, helping shares register strong gains for most of the session yesterday.

One market specialist said: "This is completely unexpected and it leaves the UK electricity sector wide open to bids from overseas companies. The message appears to be that this is OK but it is not alright for UK companies to merge with each other."

The news prompted a sharp reversal in the fortunes of all those involved and shares in Southern Electric tumbled 79 to 824p, the day's worst performer in the Footsie, after trade of 4.4m. Those of Midland fell 40 to 371p, to top the list of the day's worst performers in the FT-SE Mid 250 index. There was no love for the would be bidders either and Powergen shares retreated 36 to 570p, while those of National Power dropped 32 to 564p.

Sympathetic falls were also recorded in Scottish Power, where the shares closed 19 down at 373p.

As the session drew to a close, attention turned to likely predators for UK electricity companies. Southern Company, the US utility which has already declared its interest in National Power, was said to be ready to launch a market raid on its desired target anytime from today.

Some analysts suggested that bids will come from both the US and continental Europe, though there were those suggesting that water companies may emerge as the suitors for the recs.

Telegraph bid

News of the bid from Hollinger International pushed The Telegraph sharply forward and sent a number of other sector stocks moving ahead.

Including the special dividend, Hollinger is offering 570p a share which, according to analysts, suggests a p/e relative of 150, once associates have been adjusted for.

"This looks to be something of a fundamental rerating. The trading background has improved, with costs easing and advertising picking up. There has been a lot of interest today," said one top sector watcher.

The Telegraph jumped 96 to 559p. Daily Mail Trust added 130 at 1705p and United News and Media rose 10 to 685p.

Reed International continued to slide. The shares retreated 29 to 1131p for a two-day fall of 3 per cent. International conglomerate Hanson was again at the centre of a steady stream of rumour and news threads, and at 22m traded the shares were the second most active Footsie stock.

Weak results from Union Carbide, of the US, served to remind investors of Hanson's exposure to the global chemicals cycle and that next month's second-quarter results are going to be neutral at best.

The negative impact here was initially mitigated by talk that Hanson's energy arm could soon be in play. But the late afternoon announcement on power bids from the MMC sent the stock spinning lower.

City hopes that Southern Co, of the US, might either offer for Eastern Electricity or bid outright for Hanson Energy were put on hold by the MMC announcement. Up 2 at one stage, the shares ended the day slightly easier at 198p.

Bid speculation was said to be the driving force behind a 4 advance against the market to 224p at motor engineer Lucas Industries. Volume was above average at 4.3m.

One analyst said: "These rumours have been around a long time. But if anyone is serious about a bid, this could be an opportune moment with chief executive Mr George Simpson currently clearing his desk before moving to GEC."

Rumours flared up around Redland following a suspension of share trading in Austrian building materials leader Wienerberger.

Speculation that Redland was about to sell its brick business to Wienerberger pushed the stock sharply forward. When it came, the Wienerberger story was all about a link with Belgian rival Koramac. But the Redland share price stayed positive, with investors betting that a brick sale was imminent. The price tag is said to be between £150m and £200m.

Redland closed 11½ higher at 434p in 3.3m traded. Caradon put on 8 at 237p.

Electronics engineer Fairey, which flew analysts to the US to view its US operations, continued to improve. The shares added 4 at 635p. Computer software specialist Sage Group fell back 10 to 436p ahead of next week's results.

Digital camera group Active Imaging made a strong debut on AIM. Placed at 122p, the shares shot forward to 133p in 2m traded.

Shares in ICI moved sharply ahead as talk that the company may announce a share buyback did the rounds in the market yesterday.

The group is due to announce first-quarter figures today and the more optimistic expected ICI to make an announcement on enhancing shareholder value. The shares jumped 24 to 954p in 5.7m dealt. However, one analyst dismissed the speculation saying: "I doubt such an announcement will be made. I think people are getting exited over nothing.

The leisure sector was quiet save for a turnover of 25m shares in Ladbroke, which rose 9 to 205½p in the face of continuing takeover speculation concerning the group, which owns the Hilton hotels except for those in North America that are owned by Hilton International.

One analyst said: "The speculation is so persistent there must be truth behind it. But a full takeover seems unlikely. Perhaps Hilton International and Ladbroke could put together the Hilton businesses into a new company."

Tottenham Hotspur leapt 14 to 324p following an £11m rights issue.

The retail sector, which is fairly confidently awaiting official figures for retail sales in March, to be published today, continued to be volatile despite low volumes of trading. Among the better performers was Kingfisher, up 17 to 585p, following the announcement that Mercury Asset Management had increased its holding.

Bentalls, the department store, rose 11 to 111p following its annual results which included substantial property revaluations. DFS, the furniture business, dropped 12 to 513p after a strong run over the past few weeks, with profit-taking ahead of the results which are due this week. Carpetright rose 13 to 586p in an illiquid market.

MARKET REPORTERS: Jeffrey Brown, Lisa Wood, Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Apr 24	Apr 23	Apr 22	Apr 19	Apr 18	Yr ago	*High	*Low
Ordinary Share	2851.9	2858.8	2880.1	2886.2	2847.1	2440.7	2886.2	2696.7
Ord. div. yield	3.88	3.88	3.86	3.93	3.98	4.32	4.06	3.76
P/E ratio net	16.76	16.77	16.86	16.53	16.33	16.78	17.26	15.96
P/E ratio nil	16.52	16.53	16.62	16.29	16.10	16.58	17.09	15.76

Ordinary Share index since compilation: high 2886.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2863.6	2867.6	2861.4	2867.3	2866.9	2864.0	2867.0	2863.5	2854.5	2867.9	2850.9

	Apr 24	Apr 23	Apr 22	Apr 19	Apr 18	Yr ago
SEAQ bargains	36,235	37,550	42,481	42,343	40,197	23,926
Equity turnover (£m)†	–	2067.5	1629.6	2072.8	2464.3	1574.7
Equity bargains†	–	46,884	48,776	49,258	47,711	35,651
Shares traded (mil)†	–	966.6	622.4	759.3	907.8	710.4

†Excluding intra-market business and overseas turnover.

	Apr 24	Apr 23	Apr 22	Apr 19	Apr 18	Yr ago	*High	*Low
FT-SE AIM	1040.30	1039.60	1036.40	1026.10	1026.40	-	1054.81	965.68

*For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	639	Total Highs	373	Total contracts	29,199
Total Falls	495	Total Lows	21	Calls	14,794
Same	1,441			Puts	14,405

Apr. 24 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3850.0	3832.0	-11.0	3862.0	3821.0	12985	61508
Sep	3868.0	3846.0	-10.3	3872.0	3842.0	3?1	3726
Dec		3876.5	-9.0			0	81

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4580.0	4580.0	+10.0	4580.0	4580.0	340	4121

■ FT-SE 100 INDEX OPTION (LIFFE) (*3821) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

† Alternative Investment Market. For a full explanation of all other symbols please refer to the London Share Service notes.

FT GOLD MINES INDEX

	Apr 24	% chg on day	Apr 23	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
■ Regional Indices								
Africa (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australasia (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
North America (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE Actuaries Share Indices — The UK Series

	Apr 24	Day's chge%	Apr 23	Apr 22	Apr 19	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3817.6	-0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	4544.7	+0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250 ex Inv Trusts	4582.6	+0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	1930.9	-0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350 Higher Yield	1859.5	-0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350 Lower Yield	2009.8	....	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE SmallCap	2206.88	+0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE SmallCap ex Inv Trusts	2196.42	+0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A ALL-SHARE	1912.25	-0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FT-SE Actuaries All-Share

	Apr 24	Day's chge%	Apr 23	Apr 22	Apr 19	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3477.90	-0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12 Extractive Industries(6)	4626.11	-0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
15 Oil, Integrated(3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
16 Oil Exploration & Prod(15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
20 GEN INDUSTRIALS(276)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 Building & Construction(34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Building Matls & Merchs(28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
23 Chemicals(25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
24 Diversified Industrials(16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Electronic & Elect Equip(38)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Engineering(71)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Engineering, Vehicles(13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
28 Paper, Pckg & Printing(28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Textiles & Apparel(19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30 CONSUMER GOODS(93)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Alcoholic Beverages(6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33 Food Producers(23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Household Goods(15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Health Care(21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
37 Pharmaceuticals(12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
38 Tobacco(1)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 SERVICES(259)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Distributors(32)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Leisure & Hotels(30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Media(43)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Retailers, Food(15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Retailers, General(43)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Breweries, Pubs & Rest.(24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Support Services(38)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 Transport(21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
60 UTILITIES(36)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Electricity(12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64 Gas Distribution(2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Telecommunications(7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Water(13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 NON-FINANCIALS(657)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 FINANCIALS(105)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Banks, Retail(9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
72 Banks, Merchant(6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
73 Insurance(23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
74 Life Assurance(6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
77 Other Financial(21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
79 Property(41)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80 INVESTMENT TRUSTS(128)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
89 FT-SE-A ALL-SHARE(904)	1912.25	-0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A Fledgling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A Fledgling ex Inv Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pharmaceuticals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks, Retail	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

هكذا من الأصل

WORLD STOCK MARKETS

EUROPE

[illegible]

INDICES

DAX(30/12/87)	2538.26	2550.16	2545.91	2580.18 23/4	2284.86 2/1
Greece					
Athens SE(31/12/80)	930.71	932.72	949.91	1017.96 4/3	981.34 3/1
Hong Kong					
Hang Seng(31/7/64)	10896.89	10869.05	10939.98	11594.99 19/2	10204.87 2/1
India					
BSE Sens.(1979)	3869.87	3728.76	3710.78	3869.87 24/4	3028.08 25/1
Indonesia					
Jakarta Comp.(10/8/82)	630.71	627.82	628.28	638.21 24/4	512.46 2/1
Ireland					
ISEQ Overall(4/1/88)	2509.26	2509.19	2513.83	2513.83 22/4	2224.81 2/1
Italy					
Banca Comm. Ital.(1972)	653.41	656.65	645.81	659.65 23/4	572.21 23/3
MIB General(2/1/86)	1108.0	1114.0	1095.0	1114.00 23/4	970.00 27/3
Japan					
Nikkei 225(16/5/49)	22282.05	22118.88	22123.89	22282.05 24/4	19734.26 13/3
Nikkei 300(1/10/82)	317.44	315.46	314.25	317.44 24/4	284.46 11/3
Switzerland					
Swiss Bk Ind(31/12/58)	1771.54	1761.54	1767.84	1771.24 24/4	1518.19 17/1
SBC General(1/4/87)	1252.58	1245.42	1252.48	1252.58 24/4	1114.47 26/1
Taiwan					
Weighted Pr.**(30/6/66)	5986.81	5907.01	6052.65	6122.46 15/4	4690.22 6/2
Thailand					
Bangkok SET(30/4/75)	1305.68	1295.44	1295.22	1415.04 8/2	1242.70 13/3
Turkey					
Istanbul Comp.(Jan 1986)	65013.2	(c)	64151.4	72086.80 8/4	38779.30 2/1
WORLD					
MS Capital Intl(1/1/70)	773.8	774.5	772.6	773.80 23/4	726.90 15/1
CROSS-BORDER					
Eurotrack 100(26/10/90)	1683.71	1682.49	1681.77	1683.71 24/4	1504.40 11/1
Euro Top-100(26/6/90)	1451.70	1451.62	1458.08	1458.08 22/4	1353.81 11/1
HSBC JC Orgn(31/12/88)	(u)	379.46	381.73	383.16 16/4	344.39 2/1
MG Brngs Emrg(7/1/92)	182.84	182.91	183.65	183.86 22/4	147.36 2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (200 x Index)							
Apr	2117.0	2120.5	+8.0	2128.0	2118.0	16,738	28,422
May	2107.5	2110.5	+8.5	2117.0	2105.9	4,809	17,574
■ DAX							
Jun	2560.0	2528.0	-27.5	2580.0	2523.5	21,203	-
Sep	2576.0	2544.5	-24.5	2576.0	2547.5	98	-
■ OMX							
Apr	1516.00	1511.00	-3.50	1516.00	1506.50	5,766	11,175
May	1501.75	1499.50	-2.50	1503.25	1494.75	3,564	11,728
■ SOFFEX							
May	3641.0	3644.0	+34.0	3657.0	3625.5	5,586	18,882
Jul	3617.0	3624.0	-11.0	3630.0	3617.0	2	2,337

** Sat Apr 20: Taiwan Weighted Price 5957.52; Korea Comp Ex 941.00. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL 80, SBF250, CAC40, Euro Top-100, ISEQ Overall: Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Apr 24 - 2534.84 -24.28

US INDICES

Standard and Poors							
Composite‡	651.58	647.89	645.07	661.45 (13/3)	598.48 (10/1)	661.45 (13/2/96)	4.40 (1/6/32)
Industrials¶	773.00	767.54	764.63	776.23 (22/2)	702.07 (15/1)	776.23 (22/2/96)	3.62 (21/6/32)
Financial	65.44	65.34	64.87	68.56 (5/3)	58.87 (10/1)	68.59 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	348.80	347.32	346.40	351.92 (4/4)	321.41 (10/1)	351.92 (4/4/96)	4.46 (25/4/42)
Amex Mkt Val	590.73	587.37	585.88	590.73 (23/4)	529.05 (18/1)	590.73 (23/4/96)	29.31 (9/12/72)
NASDAQ Cmp	1166.76	1153.50	1138.70	1166.76 (23/4)	988.57 (15/1)	1166.76 (23/4/96)	54.87 (31/10/72)

■ RATIOS

	Apr 19	Apr 12	Apr 5	Year ago
Dow Jones Ind. Div. Yield	2.17	2.17	2.11	2.57
	Apr 17	Apr 10	Apr 3	Year ago
S & P Ind. Div. yield	1.90	1.92	1.88	2.27
S & P Ind. P/E ratio	21.13	20.83	21.43	18.08

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Trader Auto	14,413,100	27[illegible]	+2[illegible]
Loral Space	7,046,900	14	+2[illegible]
Telefonos	5,692,200	38	-1[illegible]
Digital Eqpt	5,246,400	60[illegible]	+4[illegible]
Bay Network	5,185,400	32[illegible]	+1[illegible]
EMC Corp	4,772,200	18[illegible]	+[illegible]
Wal-Mart Str	4,572,900	23	+[illegible]
Nokia Corp	3,700,400	35[illegible]	+[illegible]
Compaq	3,540,900	44[illegible]	+1[illegible]
Portugal Tel	3,157,400	21[illegible]	+[illegible]

■ TRADING ACTIVITY

● Volume (million)

	Apr 23	Apr 22	Apr 19
New York SE	454.785	396.120	422.431
Amex	28.759	22.684	27.585
NASDAQ	677.273	600.245	609.948
NYSE			
Issues Traded	3,111	3,135	3,111
Rises	1,350	1,461	1,385
Falls	1,014	917	903
Unchanged	747	757	823
New Highs	161	148	117
New Lows	7	4	13

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Jun	655.00	655.30	+0.30	657.00	654.65	54,555	178,679
Sep	662.30	661.65	+1.15	662.30	660.60	374	8,217

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ Nikkei 225							
Jun	22300.0	22320.0	+40.0	22400.0	22270.0	24,278	261,811
Sep	22410.0	22400.0	-	22410.0	22400.0	2	13,012

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1995. ● Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday, April 24, 1996

	Stocks Traded	Closing Prices	Change on day
Nippon Stl Corp	7.8m	361	+2
Sumitomo Mtl Ind	6.3m	341	+2
Takara Shuzo	5.6m	1200	+50
NKK Corp	5.4m	329	
Sanyo Electric	5.3m	675	+12
Toshiba Corp	5.2m	831	+5
Mitsubishi Hvy	5.1m	940	-1
Nakayama Stl Wks	4.9m	884	+100
Nissho Iwai	4.3m	602	+2
Tokyo Gas	4.3m	388	+11

4 pm close April 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
22¼	19⅛	AAR	0.48	2.4	21	384	19⅞	19⅝	19⅞	+⅛
44¾	36⅜	AMP	1.00	2.2	22	4839	44⅝	43¾	44½	+1
94	68	AMR			22	5349	90½	87¾	88¾	-1¼
50½	37⅜	ASA	2.00	4.5	29	598	45	44⅛	44⅝	+⅜
44¾	38⅛	AbbtL	0.96	2.4	18	12608	41⅝	40⅜	40½	-1¼
17¼	13⅜	AbitibiPr	0.40	2.7	7	2895	15⅛	14⅝	14⅝	-⅝
35⅛	27	ABM Ind x	0.70	2.1	17	33	33⅝	33⅛	33⅝	+⅛
15⅞	13⅞	Acptncsin			54	31	15¼	15¼	15¼	-⅛
50⅜	37¾	ACE Ltd	0.56	1.3	10	2889	44¾	43¾	44⅛	-½
9⅞	9⅛	ACM Gvt In	0.90	9.1	8	327	u9⅞	9¾	9⅞	+⅛
7⅞	6¾	ACM GvOpp	0.66	9.4		84	7⅛	7	7	
7¼	6½	ACM Gvt Sp	0.75	11.3		304	6⅝	d6½	6⅝	+⅛
9⅛	8¼	ACM Gvt Sc	0.90	10.3		312	8⅞	8¾	8¾	
9½	8⅞	ACM Man	0.90	9.9		425	9⅛	9⅛	9⅛	-⅛
31⅞	17¼	AcmtClv	0.52	1.7	7	34	30¾	30½	30¾	+¼
13¼	6⅛	Acme Elect			109	2873	u13¼	11	12⅞	+1¾
31¾	27¾	Acordia	0.72	2.3	17	9	31½	31½	31½	-⅛
16⅞	12	Acuson			51	1298	u16⅞	15¾	16⅝	+1
19½	18⅜	Adams Expr	0.48	2.6	0	146	18⅞	18¾	18¾	-⅛
21¼	16⅛	AdvMic			7	15716	18½	17⅝	18⅜	+1
11⅛	8½	Advest Grp	0.18	1.5	7	189	11	10¾	10⅞	-⅛
28⅛	9⅛	Advo Inc	0.10	1.0	10	194	10¼	9¾	9⅞	-⅜
49½	41⅛	Aegon	1.23	2.5	15	144	48⅝	48⅛	48⅝	+⅝
5⅛	3½	Aerflx			8	344	4⅞	4¾	4¾	-⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- A - (continued) - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S -

[illegible]

Continued on next page

4 pm close April 24

NYSE COMPOSITE PRICES

Continued from previous page

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
87¼	65⅝	Schlmb	1.50	1.7	31	9193	u87¼	84⅝	86⅝	+2⅝
25⅞	7¼	Schlr			12	11522	8⅞	8⅝	8⅞	+⅛
27⅞	18⅝	SchwabC	0.16	0.6	24	7206	25	23⅞	25	+1⅝
28⅞	22¾	SchwMaud			13	379	27¼	26½	26½	-¾
19½	13⅛	SciAtl	0.06	0.3	43	18646	u19½	19⅛	19⅜	+⅛
19⅛	17	Scotsman	0.10	0.5	12	96	u19⅛	18⅞	19	+⅛
43½	38⅛	Scripps	0.52	1.2	25	375	42⅛	41¾	41⅞	-¼
16⅛	14½	ScudderNAsF	0.02	0.1		195	16⅛	15¾	15⅞	-¼
12½	11	ScudderNEuF	0.16	1.3		142	12⅜	12¼	12¼	-⅛
18½	16	SeaCaB	0.70	3.8	2	667	u18½	18	18½	+⅜
16	15¼	SeaC1.4625	1.46	9.7		10	15⅛	d15⅛	15⅛	
67¼	44¼	S'gate			10	77125	58⅞	52½	54½	-1⅞
39⅝	31¾	Seagram	0.60	1.8	23	9193	34⅛	33⅝	33¾	
24⅜	17⅛	Seagull En			16	4291	u24⅜	24	24¼	+⅛
35¼	28	Sealed Air			25	991	34⅞	33⅞	34¼	
53¼	38¼	SearsR	0.92	1.8	14	9704	52	50⅝	50⅞	-⅝
22¼	19¼	SecCapS	1.24	6.0	24	297	20⅞	20¾	20¾	
13	11⅞	Seligm Sel x	0.84	6.9		33	12¼	12⅛	12⅛	-⅛
23¾	19⅝	Sensormat	0.22	1.0	78	1860	21¾	21	21½	-¼
35⅞	29½	SequaA	0.60	1.7	60	66	34⅞	34	34⅞	+⅛
41⅝	39	SequaB	0.50	1.2	72	3	41⅛	41⅛	41⅛	-⅛
53½	38⅞	ServCp	0.48	0.9	27	9274	53¼	52¼	52⅞	+⅝
33½	29⅛	Svcmstr x	0.96	3.0	14	258	32	31⅝	32	+⅜
6	4½	ServMerch			10	1127	5½	5¼	5¼	-¼
48¼	28½	SGSThm			10	1709	u48¼	46⅞	47½	+⅛
15⅛	10⅝	Shaw Ind	0.30	2.5	36	1268	12⅜	12	12⅛	
12⅞	10⅝	Shelby Wil	0.28	2.4	14	15	11⅞	11¾	11⅞	+⅛
83½	76⅝	ShellTr	3.30	4.1	17	543	80	79½	79¾	-¼
45⅝	38	SherW	0.70	1.6	18	2060	44½	44	44½	+⅜

NASDAQ NATIONAL MARKET

4 pm close April 24

AMEX COMPOSITE PRICES

4 pm close April 24

AMERICA

Strong earnings data help technology sector

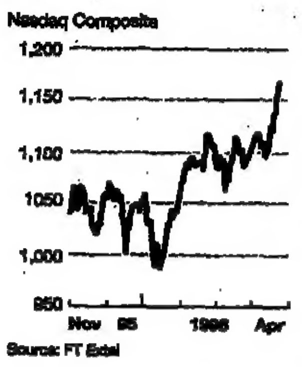
Wall Street

Another spate of strong earnings helped technology shares continue their steady march higher in early trading, while broader indices lost ground, *writes Lisa Bransten in New York.*

Although Compaq Computer trades on the NYSE, its stronger than expected quarterly earnings and positive outlook for the personal computer sector helped the Nasdaq composite *to a 5.90 points gain at* 1,172.66 near 12.30 pm. The Pacific Stock Exchange technology index added 1 per cent. Compaq was up $3¾ or 9 per cent at $48.

US

Nasdaq Composite



Source: FT Extel

Digital Equipment added another $2⅛ to the $4⅞ it *jumped on Tuesday after its* healthy earnings report. Hewlett-Packard moved ahead $3¼ to $106⅞.

Internet-related companies were boosted by a healthy report from Netscape Communications, which leapt $6 or 9 per cent to $67 after reporting earnings of 6 cents a share, 2 cents above estimates. The American Stock Exchange/Interactive Week index of Internet stocks rose 1.7 per cent.

A *few disappointing* results weighed on other broader indices. At 12.30 pm the Dow Jones Industrial Average was off 37.22 at 5,551.37, the Standard & Poor's 500 had eased 1.68 to 649.90 and the American Stock Exchange composite lost 1.30 at 589.43. Volume on the NYSE was 262m shares.

Walt Disney, a component of the Dow, tacked a loss of $1⅞ to the $⅞ it fell on Tuesday *after revealing earnings just* shy of analysts' expectations, bringing the shares to $59⅞. Du Pont, another Dow component, dipped $1⅛ to $83⅞ after announcing operating earnings of $1.61, in line with market expectations.

Goodyear Tire & Rubber, also in the Dow, hardened $⅝ to $50⅞ following earnings of 98 cents a share, 2 cents ahead of estimates. USAir gave up $⅝ or 4 per cent at $16⅛ after reporting a first-quarter loss of 86 cents a share.

Canada

Toronto edged lower in midsession trade, pausing after Tuesday's record high close, and the TSE 300 was 6.64 softer by noon at 5,110.30 in volume of *52.5m shares.*

BCE remained in the spotlight, rising 75 cents to C$53.70. Analysts said that the stock was hitting new highs on expectations of strong quarterly earnings and on speculation that the telecommunications giant was looking for a *partner, or for acquisitions.*

Diamond Fields Resources gained 30 cents at C$40.60.

Potash Corp advanced C$1.60 to C$87.80 on stronger than expected earnings.

Latin America

MEXICO opened lower due to a fall in Telmex shares, and after a sharp drop in domestic interest rates that was expected to end the peso's recent bull run.

However, the market regained its stability and by late morning the IPC index was up 15.02 at 3,232.88.

BUENOS AIRES was little moved by midday as investors awaited the appearance before a senate committee of Mr Domingo Cavallo, the economy minister.

The Merval index was down 1.74 points at 560.22.

SAO PAULO was aimless at midsession, with the Bovespa index up 13.84 points at 50,633.

SOUTH AFRICA

Johannesburg's industrial shares stumbled lower after their recent strong performance as local investors took profits and foreigners became cautious in view of the market's recent volatility.

Golds put in a weak performance, in line with industrials and as bullion slipped below the $391 level. *The overall* index fell 33.2 to 6,980.0, industrials lost 57.9 at 8,458.9 and golds finished 18.6 weaker at 1,839.0. De Beers dipped R1.50 to R134.50 and Rembrandt lost 50 cents at R35.75.

EUROPE

Philips up, reports 30% decline in Q1

Philips announced a 30 per cent fall in first-quarter profits *in AMSTERDAM, but this was* broadly in line with analysts' expectations and the shares gained Fl 1.40 at Fl 61.90. The AEX cruised to another record, *putting on* 1.63 at 553.88, having hit an intra-day record high of 556.55.

The view on Philips was that a difficult first half of 1996 had been expected and it was anticipated that the second half would be better. Analysts noted, however, that the semiconductor division had performed badly, with operating profit dipping by 25 per cent.

Polygram receded Fl 4.50 to *Fl 99.70* as it was rumoured that it had withdrawn its interest in acquiring the MGM studio in Hollywood.

Pakhoed shed Fl 2.50 to *Fl 43.80 after the tank storage* and shipping group announced that first-quarter results had been disappointing and the trend was likely to persist. The company blamed weakness in Rotterdam oil storage activities as well as lower capacity utilisation levels at its oil tanks.

In financials, ING moved forward Fl 4.30 to Fl 131.40.

PARIS made a healthy gain, with Carrefour, the supermar*ket group, hitting a record* peak in very high volume. The CAC-40 index rose 10.12 to 2,122.10 as Carrefour added FFr29 at FFr3,896.

Dealers *noted that a block* trade was made in the retailer, accounting for nearly 1 per cent of the capitalisation, while the company also said it was making a one-for-two bonus issue.

Analysts said the market had been impressed by Carrefour's overseas expansion plans, released last week, which would help the company overcome weakness in the domestic sector. *Club Med* rose FFr27 to FFr489 on positive booking levels.

ZURICH resumed its upward march, posting technical gains *and helped by the stable dollar, and with results from Roche at* the centre of attention. The SMI index rose 21.1 to 3,668.4.

Roche fell in immediate reaction to the company's results and dividend news, but picked up to close SFr35 higher at SFr9,630. The 18 per cent increase in net profits proved in line with expectations, but some investors, hoping for a special centenary dividend of up to SFr500, were disappointed when the company announced an anniversary warrant worth just SFr36 a share.

Holderbank firmed SFr10 to *SFr950 as CS Equity Research* upgraded the cement and concrete group on an improved long term outlook for US and European construction sectors.

The often volatile SMH continued to draw strength from foreign demand, adding SFr32 at SFr805 and taking the advance over the last three sessions to 9.8 per cent.

FRANKFURT saw low volume trading mar activity as the Dax index declined 11.92 to 2,438.26. In the Ibis the indicator moved to 2,524.84.

Siemens finished DM1.60 down at DM835.20 after reporting first-half figures, while Mannesmann *surrendered* DM8.45 to DM558.45 after giving a gloomy prognosis of the economy.

Computer 2000 fell steadily *during the day, ending off* DM33 at DM363 after reporting a drop in 1995 profits.

MILAN put in a positive performance as further advances in selected stocks overwhelmed profit-taking ahead of today's public holiday. The Comit index registered *a 8.44 fall to* 658.41 but the real-time Mibtel index picked up from a low of 10,328 to close near its best level of the day, up 76 at 10,328.

Olivetti had a good day, jumping L38.5 to L940, supported by a return to profit at its French stable mate Cerus. Cir, the industrial holding company, rose L55 to L1,055.

Among the day's *corporate* reporters, Fiat picked up L80 to L5,580, overcoming an early fall amid nervousness ahead of the 1995 results and possible trading update expected after the market closed.

BRUSSELS saw Barco, the electronics manufacturer, make BFr110 or 2.2 per cent to BFr5,110 as the Bel-20 *index* closed 1.17 higher at 1,720.66. *Turnover was* BFr2.6bn.

Electrafina lost BFr55 to BFr2,910, having been suspended on news *that it* would pay BFr17.3bn to lift *control* in Audiofina, the media holding company, by 17.2 per cent. Audiofina owns CLT, the broadcaster.

VIENNA made its sixth consecutive gain and the AEX rose 11.02 or 1 per cent to 1,128.87.

Wienerberger was suspended *after the building materials* company announced a partnership with Koramic, of Belgium, which could create the world's biggest brick manufacturer.

Written and edited by Michael Morgan and John Pitt

FT-SE Actuaries Share Indices

Apr 24 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
THE EUROPEAN SERIES								
FT-SE Eurotrack 100	1683.39	1683.46	1683.11	1680.13	1683.59	1684.21	1684.38	1683.77
FT-SE Eurotrack 200	1733.66	1736.35	1735.84	1735.89	1733.91	1736.28	1738.70	1732.07

	Apr 23	Apr 22	Apr 19	Apr 18	Apr 17
FT-SE Eurotrack 100	1682.48	1681.77	1655.01	1649.21	1648.86
FT-SE Eurotrack 200	1732.74	1737.29	1719.69	1709.74	1709.59

Base value 1000 (26/10/90); High/day: 100 - 1685.63; 200 - 1737.07 Low/day: 100 - 1682.09 200 - 1731.70. † Partial.

ASIA PACIFIC

Nikkei average ends at fresh four-year high

Tokyo

Buying by pension funds and investment trusts supported activity and the Nikkei average closed at another four-year high, *writes Emiko Terazono in Tokyo.*

The 225-share index gained 162.17 or 0.7 per cent at 22,282.05, having moved between 22,151.33 and 22,330.49. *The closing level was the highest since January 10, 1992.*

Domestic institutional investors, including banks, life insurers and investment trusts, continued to buy shares in anticipation of purchases by investment trust funds scheduled to be set up later in the week.

Volume was 511m shares, against 580.3m. In spite of buying by domestic investors, foreigners were inactive. Most brokerage dealers refrained from activity since yesterday was the last trading day for April delivery.

The Topix index of all first section stocks rose 9.19 to 1,711.80 and the Nikkei 300 by 1.96 to 317.44. Advances led declines by 650 to 421, with 163 issues unchanged.

In London the ISE/Nikkei 50 index put on 2.78 at 1,491.43.

Traders said Sanyo Securities was active due to the launch of Sanyo Japan Open, an affiliated trust fund.

Domestic investors bought shares across the board. Large-capital steels and shipbuilders were traded, with Nippon Steel, the day's most active issue, firming Y2 to Y381 and Sumitomo Metal Industries up Y2 to Y341.

Tokyo Steel Mfg slipped Y60 to Y2,040 on the company's announcement that it may suffer a recurring loss of Y2bn in the current fiscal year. Non-ferrous metals, which were actively traded recently on the rally in commodity prices, retreated on profit-taking, with Sumitomo Metal Mining losing Y10 at Y1,050 and Mitsubishi Materials Y16 at Y609.

Banks were higher on index linked buying. Dai-Ichi Kangyo Bank advanced Y40 to Y2,160 and Bank of Tokyo Mitsubishi Y30 to Y2,430. Brokers were higher on the stock market rally. Nomura Securities moved ahead Y10 to Y2,330 and Nikko Securities Y30 to Y1,350.

In Osaka, the OSE average rose 134.68 to 23,697.85 in volume of 73.7m shares.

Roundup

SEOUL moved up sharply in late trade, led by institutional interest in high-technology shares after their recent performance in the US and Japan, and the composite index hit a *record closing high for the* year, up 16.06 at 956.61.

Banks were mixed after being pressured by fears that there would be an oversupply of stocks in July, when three banks are listed. Kookmin Bank rose Won200 to Won15,800 but Seoulbank fell Won20 to Won6,660.

SHANGHAI's local currency A shares, available only to domestic investors, jumped 6.8 per cent on news that the exchange was cutting dealing fees to stimulate trade. The index rose *44.131 to a 1996 high* of 692.191. SHENZHEN's A index surged 117.92 or 8.6 per cent to 1,490.04.

BOMBAY climbed 3.8 per cent to a 15-month peak on heavy foreign institutional buying in a market devoid of sellers ahead of the elections. The BSE-30 index ended 141.11 higher at 3,869.87.

HONG KONG was aimless ahead of Monday's April index *futures expiry and the Hang* Seng index ended just 9.64 up at 10,898.69, having spent the day moving in a tight band of 53 points. Turnover dwindled to HK$3.1bn.

SINGAPORE overcame early losses to close flat, with the Straits Times Industrial index finally 2.45 points ahead at 2,381.18.

Property shares lost more ground after sharp falls on *Tuesday on talk of measures to* curb speculation in the private residential market and new guidelines *issued* by the exchange for companies' disclosure of property sales to their directors and related parties. DBS Land slipped 15 cents to S$5.20 and City Development 10 cents to S$12.10.

Parkway Holdings rose 14 cents in late trading to S$4.30, boosted by a continuing roadshow as well as speculative interest after recent buying by Vincent Tan, the Malaysian *investor.*

KUALA LUMPUR was mostly lower as investors booked profits after the recent sharp gains, with second board shares among the bigger losers as some speculative money shifted into second line main board shares. *The composite* index shed 4.44 to 1,169.44.

TAIPEI staged a small rebound following Tuesday's heavy fall. Sentiment was *helped after the Finance Ministry* denied a report that it might sell its holdings in the *three major banks before July.*

The weighted index rose 79.80 or 1.3 per cent to 5,986.81. Turnover was T$68.6bn. Financials, which fell some 5 per cent on Tuesday, rallied 2.2 per cent. China Life soared by the daily 7 per cent limit or T$5 to T$77.

MANILA throttled back on profit-taking. The composite index receded 27.27 or 1 per cent to 2,969.33.

The forthcoming release of April's inflation data made many investors cautious.

SYDNEY initially built on Tuesday's rally which followed the better than expected March quarter CPI data. But the market subsequently declined as option expiry weighed on shares late in the session. The All Ordinaries index lost 16.3 at 2,316.3.

Turnover was boosted by *stock option expiries,* with A$850m worth of shares changing hands.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Apr. 19 1996	% Change over week	% Change on Dec '95	Local currency terms Apr. 19 1996	% Change over week	% Change on Dec '95
Latin America	(247)	618.06	+3.4	+9.8			
Argentina	(31)	873.84	+5.5	+9.1	535,796.61	+5.6	+9.0
Brazil	(68)	335.12	+0.7	+9.8	1,242.57	+0.8	+11.9
Chile	(43)	721.42	+4.5	-3.6	1,175.89	+4.3	-3.6
Colombia'	(15)	600.16	+2.4	+0.4	1,120.05	+2.9	+6.7
Mexico	(65)	548.63	+5.1	+21.1	1,753.07	+3.8	+16.4
Peru	(20)	201.50	+1.8	+2.2	291.82	+2.1	+5.1
Venezuela	(6)	484.72	+4.4	+45.0	5,202.25	+1.6	+99.3
Asia	(531)	270.05	-2.5	+16.3			
China	(23)	57.69	-3.4	+5.6	60.66	-3.4	+6.7
South Korea	(145)	134.27	+7.3	+8.6	137.49	+6.8	+7.1
Philippines	(35)	293.82	-0.4	+9.4	358.63	-0.4	+9.1
Taiwan, China	(83)	137.05	-0.9	+21.5	139.70	-1.0	+20.9
India	(78)	103.82	+7.6	+29.2	126.10	+7.8	+25.6
Indonesia	(44)	129.44	+3.4	+18.0	163.71	+3.5	+20.1
Malaysia	(123)	325.67	+3.3	+20.0	300.04	+2.4	+18.1
Pakistan	(25)	249.38	-2.3	+2.8	393.62	-2.1	+4.4
Sri Lanka	(5)	113.49	-3.6	+9.1	134.37	-3.3	+11.2
Thailand	(72)	381.45	-1.3	+1.5	382.83	-1.4	+1.8
Euro/Mid East	(238)	146.19	+0.7	+3.2			
Greece	(47)	253.99	+0.7	+5.2	415.20	+0.3	+7.3
Hungary	(8)	147.35	+5.0	+49.7	258.32	+5.3	+59.6
Jordan	(8)	179.76	+2.5	-2.7	268.34	+2.6	-2.6
Poland	(22)	630.01	+1.2	+47.8	1,041.36	+1.5	+57.3
Portugal	(26)	124.05	-0.0	+7.2	131.81	+0.0	+10.9
South Africa	(63)	245.30	+2.0	-4.9	216.15	+5.1	+11.3
Turkey	(54)	149.58	-5.7	+43.2	5,205.38	-5.7	+74.2
Zimbabwe	(5)	349.65	+2.3	+27.3	505.92	+2.0	+34.2
Composite	(1119)	305.84	+2.4	+10.9			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1993; (4)Dec 31 1992; (5)Jan 3 1993; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1993; (13)Mar 1 1993; (14)Aug 2 1993; (15)July 2 1993.

There had been hopes that Vietnam would have a functioning equity market during 1996, but the start-up date has been postponed, writes John Pitt. Standard Chartered, in a briefing document issued this week, says that while the government has announced its intention to sell shares in some 200 state-owned enterprises this year, the establishment of a stock market remains at least 18 months away. "Vietnam's eighth congress, scheduled to convene in September, is expected to draw up a property law and a legal framework for the establishment of a stock market," reports Standard. "That will permit the creation of a secondary market in shares of 'equitised' [the government's term for privatisation] SOEs. Country fund managers are optimistic that the state sector will be opened to foreigners on a limited basis this year, citing pressure from the World Bank to speed up the process, and the lack of domestic capital to take up the shares in equitised SOEs." It is rumoured that foreign institutions would be limited to a 30 per cent stake in an SOE, with a 10 per cent barrier on individual holdings. It is estimated that Vietnam has about 6,000 companies owned by the state, provincial authorities, the army or other official agencies. To date only five state companies have been privatised, with up to 200 more slated for sell-off during the current year. At present the best opportunities for overseas investors keen to get a foothold in the country would seem to be either through a closed-end Vietnam fund, or taking stock in those Vietnamese companies currently listed offshore. Into the latter category fall Vietnam Investments and Barille, listed in Australia, and Iddison Group Vietnam, listed in New Zealand.

● Standard Chartered also reports that Cambodia aims to start a stock market in 1997-98. Foreign brokerages will be able to establish 100 per cent owned houses in Cambodia, "but with the proviso that they divest their majority stake after five years".

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY APRIL 23 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY APRIL 22 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (80)	209.01	2.2	204.81	140.65	164.95	175.90	1.7	3.92	204.50	200.62	137.85	161.22	172.92	209.01	162.68	168.74
Austria (23)	187.49	0.1	182.55	126.17	147.97	147.83	0.2	1.90	187.30	183.75	126.29	147.88	147.51	193.28	168.11	182.54
Belgium (33)	208.73	-0.4	203.25	139.78	163.95	159.78	-0.4	4.16	209.60	204.66	140.61	164.45	160.35	215.81	186.09	192.63
Brazil (28)	155.91	0.4	152.62	104.91	123.04	284.42	0.4	1.40	155.27	152.32	104.56	122.41	283.35	170.25	121.63	121.83
Canada (99)	161.98	0.5	158.57	109.00	127.83	159.74	0.4	2.35	161.16	158.10	108.53	127.05	158.99	161.98	134.14	134.98
Denmark (33)	298.24	0.2	291.97	200.69	235.37	237.54	0.2	1.90	297.62	291.97	200.61	234.63	236.78	305.17	266.26	268.38
Finland (24)	182.21	0.1	178.38	122.61	143.80	183.90	0.9	2.70	182.00	178.55	122.68	143.43	182.25	278.11	171.73	187.47
France (97)	195.72	-0.2	192.57	132.37	155.24	158.46	-0.2	3.02	197.21	193.45	132.93	155.47	158.71	197.21	182.11	184.11
Germany (60)	171.37	-0.1	167.77	115.32	135.25	135.25	0.0	1.64	171.49	168.24	115.60	135.20	135.20	174.36	148.49	162.41
Hong Kong (59)	427.34	-0.2	418.35	287.57	337.25	424.46	-0.2	3.33	428.25	420.14	288.67	337.62	425.34	451.19	323.87	344.22
Ireland (16)	274.49	-0.7	268.71	184.71	216.62	247.18	-0.9	3.37	276.48	271.23	186.36	217.96	249.48	277.20	220.51	221.74
Italy (59)	82.69	-1.1	80.95	55.64	65.47	95.17	0.1	2.07	83.62	82.03	56.37	66.09	95.06	85.99	71.04	73.73
Japan (481)	160.47	0.6	157.09	107.95	126.64	107.95	0.4	0.70	159.55	156.53	107.55	125.79	107.55	164.82	137.75	169.02
Malaysia (107)	576.42	-0.1	564.29	387.88	454.90	554.33	0.1	1.66	577.22	566.27	389.06	455.05	553.86	577.22	425.77	491.23
Mexico (18)	1282.01	-1.9	1255.02	862.65	1011.74	10295.95	-1.3	1.31	1306.51	1281.71	880.65	1030.09	10534.24	1313.81	791.98	980.09
Netherland (19)	289.47	-0.1	283.38	194.79	228.45	224.40	0.1	3.14	289.76	284.26	195.32	228.44	224.30	291.80	237.15	241.37
New Zealand (15)	81.66	-0.7	79.94	54.95	64.45	63.50	-0.3	4.30	82.25	80.69	55.44	64.84	63.71	85.49	76.26	82.74
Norway (33)	249.51	0.3	244.25	167.90	196.91	221.14	0.4	2.34	248.74	244.02	167.66	196.09	220.18	249.51	213.04	220.65
Singapore (44)	433.92	-2.0	424.78	291.99	342.44	281.89	-2.1	1.35	442.89	434.48	298.53	349.13	287.67	465.21	355.81	369.84
South Africa (43)	376.47	-0.1	368.55	253.33	297.11	351.48	-1.0	2.00	381.77	374.52	257.33	300.97	355.05	437.78	339.01	346.81
Spain (37)	177.85	0.4	174.10	119.67	140.36	169.83	0.3	3.26	178.08	175.00	120.24	140.63	170.38	178.36	155.36	158.36
Sweden (46)	347.55	-0.5	340.24	233.87	274.29	345.42	-0.4	2.31	349.12	342.49	235.32	275.23	346.61	352.98	241.66	241.66
Switzerland (39)	243.84	-0.7	238.70	164.08	192.43	185.53	-0.6	1.53	245.53	240.88	165.50	193.57	186.78	252.34	184.11	184.76
Thailand (46)	178.11	-0.3	174.36	119.85	140.56	175.11	-0.3	1.93	178.60	175.22	120.39	140.80	175.02	193.55	137.86	137.96
United Kingdom (202)	235.62	-0.3	230.66	158.55	185.94	230.66	-0.3	3.98	236.33	231.75	159.22	186.21	231.75	237.43	208.12	208.22
USA (636)	265.80	0.6	260.21	178.86	209.77	265.80	0.6	2.19	264.34	259.33	178.18	208.40	264.34	266.11	207.92	207.92
Americas (771)	242.94	0.5	237.83	163.48	191.73	204.16	0.5	2.18	241.67	237.09	162.89	190.52	203.09	243.54	190.51	190.81
Europe (722)	210.80	-0.3	206.37	141.85	166.36	185.43	-0.3	2.98	211.35	207.34	142.46	166.62	185.93	211.35	181.25	181.25
Nordic (135)	257.02	-0.2	251.62	172.95	202.83	234.41	-0.1	2.29	257.67	252.78	173.68	203.17	234.71	257.67	216.18	216.18
Pacific Basin (832)	173.30	0.5	169.66	116.62	136.77	113.26	0.4	1.12	172.42	169.15	116.22	135.93	112.80	173.30	148.09	170.19
Euro-Pacific (1554)	189.44	0.1	185.46	127.48	149.51	144.44	0.1	1.88	189.23	185.63	127.54	149.19	144.34	189.82	165.51	174.70
North America (729)	259.35	0.6	253.89	174.52	204.68	258.65	0.6	2.19	257.85	252.94	173.88	203.34	257.06	260.40	202.40	202.40
Europe Ex. UK (520)	182.17	-0.3	178.34	122.58	143.78	154.90	-0.2	2.44	182.67	179.21	123.13	144.00	155.05	183.88	159.71	162.71
Pacific Ex. Japan (351)	293.45	-0.2	287.28	197.47	231.59	253.27	0.1	2.92	292.77	287.21	197.34	231.24	252.88	293.73	227.71	243.15
World Ex. US (1744)	190.01	0.1	186.01	127.86	149.95	148.92	0.1	1.89	189.75	186.15	127.90	149.58	148.75	190.01	167.28	174.83
World Ex. UK (2168)	210.89	0.4	206.45	141.91	166.43	177.89	0.3	1.88	210.12	206.14	141.63	165.65	177.10	210.89	179.23	181.79
World Ex. Japan (1889)	242.65	0.2	237.54	163.28	191.50	230.00	0.2	2.50	242.10	237.51	163.19	190.88	229.51	242.65	198.18	198.18
The World Index (2370)	213.12	0.3	208.63	143.41	168.19	182.51	0.3	2.07	212.48	208.43	143.21	167.49	182.04	213.12	181.62	184.68

Latest prices were unavailable for this edition.

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